

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Initiation of Show Cause)
Proceedings against GTE Florida,)
Inc., for Violation of Service)
Standards.)

Docket No. 991376-TL

Filed: May 4, 2001

SURREBUTTAL TESTIMONY

OF

R. EARL POUCHER

On Behalf of the Citizens of the State of Florida

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FOR
THE OFFICE OF PUBLIC COUNSEL
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
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Q. Please state your name, business address and title.

A. My name is R. Earl Poucher. My title is Legislative Analyst for the Office of Public Counsel, 111 West Madison St., Tallahassee, FL 32399-1400.

Q. What is the purpose of your testimony?

A. I will provide surrebuttal testimony to the rebuttal testimony provided by the Verizon witnesses John A. Ferrell, John C. Appel and Russell B. Diamond.

Q. What is Verizon's position in their rebuttal versus that of Public Counsel?

A. All three Verizon witnesses maintain that compliance with the PSC's service standards was the top priority for Verizon's management in Florida and at Verizon Headquarters (Ferrell, Page 33, L10) Verizon points to a number of factors as justification for the company's rule violations, including rain, lightning, early retirements, tight job market, and the difficulties the company has in complying with the rules in all 24 of its exchanges.

Public Counsel's position is that:

▶ The company committed 773 rule violations between January 1, 1996 and December 31, 1999.

- 1 ▶ The company failed to timely repair and replace its defective outside plant facilities.
- 2 ▶ The company failed to implement needed programs to improve service quality.
- 3 ▶ Corporate Headquarters refused to provide needed resources when-asked.
- 4 ▶ The Verizon budgetary process consistently produced inadequate resources needed to meet
- 5 the PSC standards
- 6 ▶ Verizon's significant and continuing violations over a 4 year period demonstrate the
- 7 company's willful failure to take the steps necessary to comply with the Commission's rules.

8 **Q. In Mr Ferrell's testimony, he states that since the fourth quarter of 1999 that Verizon**
9 **has sustained compliance with the installation and repair standards for almost all of**
10 **its exchanges for the past 15 months. Is he correct?**

11 **A.** Yes. Three months after the initiation of the show cause order, starting in December 1999,
12 Verizon has complied with the PSC rules for installation and repair based on its quarterly
13 reports to the Commission. It is unfortunate that the same corporate resolve was not
14 demonstrated far earlier in order to avoid the necessity of this docket.

15
16 However, I would point out three significant facts that the Commission should consider.
17 Verizon's Florida Region was badgered, in writing, about both its poor financial and service
18 results consistently during the 1996-1999 time frame, without significant change. The only
19 event that was different in late 1999 was the Show Cause Order originated by this
20 Commission.

21
22 Second, the time frame for this docket is January 1, 1996 to December 31, 1999. The period
23 of reported compliance is outside our discovery and outside the scope of this docket.

24
25 Third, Florida is now in its third year of drought, and it is quite possible that the reported

1 improvement Verizon has mentioned may be more due to below average rainfall starting in
2 1999 than anything the company may have done.

3 **Q. Mr. Ferrell states there is no evidence that Verizon refused to comply with the PSC**
4 **service standards or that it intentionally violated those standards. What is your**
5 **response?**

6 A. GTE violated the Commission's installation and repair rules 205 times in 1996, 137 times
7 in 1997, 182 times in 1998 and 242 times in 1999. I find it difficult to reach a conclusion
8 that these violations were solely due to natural disasters, unfortunate circumstances or bad
9 luck. To be certain, there are specific times in Florida when dramatic weather phenomena
10 should allow the Commission to overlook failures to meet its rules. However, the Verizon
11 continuing service violations over an extended four-year period demonstrates that unless this
12 Commission enforces its rules aggressively under price cap regulation there is motivation
13 for the companies to sacrifice service for financial gain of their stockholders.

14 **Q. Is that what happened with Verizon?**

15 A. We are already aware of the service violations. Exhibit REP-22 shows that the company
16 implemented huge reductions in its cost per line over the period 1996 through 1999 while
17 its was violating Commission service rules. Page 1 of REP-22 shows a year end 1995 cost
18 per line of \$62.33 being reduced \$54.74 for the 1996 original budget. The 1997 preliminary
19 budget shows this decreasing further to \$49.75.

20
21 Page 2 of REP-22 may have used a somewhat different base for the total number of lines, but
22 the impact and direction in continuing reductions in the cost per access line is clear. The
23 exhibit shows a 1998 actual normalized cost per access line of \$54.44. The projected
24 normalized 1999 cost per access line drops to \$46.06. From there, it shows a 2000 region
25 plan to decrease this cost to \$40.35, and a 2000 "affordability level" of \$36.52 per access

1 line.

2
3 This data is but one example of Verizon's corporate strategies that improved corporate
4 profits while the Florida Region was failing to comply with PSC rules. Verizon's corporate
5 strategies obviously failed to provide the resources needed to enable the company to meet
6 its obligations to Florida consumers during the time frame of this docket. Verizon was fully
7 aware of its violations over the four year period and failed to take effective action to deal
8 with its violations. That's willful as opposed to accidental or just plain old bad luck. My
9 testimony will demonstrate that Verizon Headquarters ignored requests for increased funding
10 and refused to provide funds for recommended programs that would have significantly
11 improved service quality. In addition the Verizon budgetary process consistently
12 underestimates the necessary workforce to provide good service.

13 **Q. Mr Ferrell states that you summarily dismissed the Commission's audits as simply a**
14 **means to verify Company procedures and practices. He adds that it is his belief that**
15 **"the real reason why Mr. Poucher has chosen not to consider service audits in**
16 **evaluating Verizon's service quality is that Verizon generally achieved good total**
17 **scores on these audits..." What is your response?**

18 **A.** It is strange that the Company would have passed its service audits by the Commission Staff
19 when it was continually failing to meet its self-reported violations of the Commission's
20 service rules over a four year period. The PSC Staff, however, schedules its audits in
21 advance, and the Verizon regulatory personnel are in constant touch with the Commission
22 Staff personnel. You only need look at Exhibit REP 23 to understand why Verizon is able
23 to pass an audit by the PSC Staff. Verizon took a series of extraordinary actions just prior
24 to the audit. In Exhibit REP-23, we find that prior to the scheduled arrival of the PSC audit
25 team on October 25, 1999, that the Verizon organization discussed openly the preparations

1 it was making to pass the audit, including a 100% review of all repair tickets and 10 specific
2 operational "fixes" to provide the illusion that Florida business office and repair answer time
3 service was better than it actually was on the month before the audit and the month following
4 the audit. Verizon rescheduled vacations. Verizon put management, THC's and Coaching
5 personnel on telephone lines to meet the load. Verizon scheduled for the maximum overtime
6 and six day work weeks for its personnel. Verizon arranged for call centers in other states
7 to work overtime to minimize calls being routed from out of state to Tampa and they
8 arranged for additional headcount in Garland, Texas to be available to handle Florida traffic
9 after the Tampa call center closed.

10
11 What the staff auditors saw in October 1999 was not a sample of Verizon's typical
12 operations. Instead, they saw the result of unusual preparations made just for the purposes
13 of the audit. I am extremely disappointed that Verizon does not take these extra measures
14 at all times in order to provide good service in Florida. However, most of the actions
15 specifically taken during the period of this audit also have budgetary implications. I can
16 only conclude that profitability takes priority at Verizon. This document was distributed to
17 a dozen top level Verizon executives, including John Ferrell, one week before the audit was
18 to take place.

19 **Q. Mr. Ferrell states that Verizon has a powerful incentive to provide quality service**
20 **because of today's competitive market choices. What is your response?**

21 A. While that assumption may have appeared to be correct when Florida adopted its price cap
22 regulation in January 1996, it is obvious that effective competition for Verizon's largest
23 market, residential customers, has not yet arrived. According to Verizon's own data,
24 competitive market share in the residential market was 99.2% in late 1998 (Exhibit REP-24)
25 There is little true competition in the residential market today, and much of that consists of

1 resellers and companies that engage in resale to disconnected customers at exorbitant prices.
2 Neither of these activities qualify as true competition. The Consumer Federation of America
3 issued a special report in January 2001 regarding telecom competition in Florida with a
4 banner headline that states: **“Five Years After Passage Of The Federal**
5 **Telecommunications Act of 1996 There is Virtually No Competition in Local Phone**
6 **Markets.”** This report states that BellSouth, Verizon and Sprint “control more than 97%
7 of the residential market and 93.9% of the total market in Florida. Seventy percent of the
8 telephone lines in Florida are residential.

9 **Q. Mr. Ferrell states that the Commission’s rules are outdated, that he thinks the**
10 **Commission recognizes the need to change and that he disputes your theory that the**
11 **corporate solution was to change the rules rather than to comply with them. What is**
12 **your response?**

13 **A.** My direct testimony included the documents clearly showing that Verizon was trying to get
14 the Commission to adopt less rigid standards. It is true that the installation and repair rules
15 have been in place since the sixties. Yet there is no evidence that they are outmoded as it
16 relates to the rules in this docket. Telephone customers still expect and deserve prompt
17 installation of new service. When this rule was originally crafted, telephone companies were
18 required to dispatch at least one employee for every single installation. In today’s
19 environment, the majority of installations are completed without the need for a dispatch visit
20 and Verizon has specific plans to increase that number in order to reduce work volumes,
21 reduce expense, and and improve service. The completion of new installations without the
22 need for premise visits makes it much easier for the company to comply with the PSC rules
23 in today’s environment. The use of software provisioning systems today speeds the
24 necessary time for order processing that runs circles around the old manual practices that
25 existed in the 1960s. There’s no excuse to argue for slower installation times in today’s

1 automated environment.

2
3 Florida's installation rules are reasonable and the Commission should be proud that they are
4 among the highest in the nation. Exhibit REP-25 shows that Florida and Hawaii both require
5 90% of installations for new service to complete within three days. Oklahoma requires 95%
6 within 4 days and Arkansas requires 95% of all service orders within 5 days.

7 **Q. What about the Commission's repair rule?**

8 Seven states require 95% of service outages to be cleared within 24 hours and Texas requires
9 90% in 8 hours. The repair rules involving service outages should be easier for the company
10 to satisfy because there are normally more than twice as many service outages as
11 installations. A larger number of technicians are engaged in repair activities at any one time
12 and the larger team size caused by the repair volumes increases the likelihood of achieving
13 satisfactory results, assuming the company has budgeted sufficient personnel to handle the
14 load. With sufficient manpower, there is no reason why the company cannot meet the
15 Commission rules. With insufficient manpower it is more difficult.

16
17 All of the factors I have mentioned regarding the automation of installation procedures since
18 the early sixties apply also to the repair process. If Verizon was able to meet the
19 Commission repair standards in the sixties with manual systems, then it should be much
20 easier in today's environment, providing the Company is willing to adequately fund the
21 needed workforce.

22 **Q. What about the provisions of the rule that require satisfactory service in each**
23 **exchange?**

24 **A.** The Commission requirements regarding exchange performance were developed so that rural
25 customers such as some of those in Polk County could expect to receive service that is as

1 good as the service in Tampa and St. Petersburg. This rule protects rural customers from
2 receiving lesser quality telephone service and it is in keeping with the concepts that are
3 incorporated in the 1996 Telecommunications Act. This is not an outmoded rule that needs
4 changing.

5
6 In my direct testimony I referred to the possibility of preferential treatment for more
7 competitive customers in Verizon territory as opposed to the less competitive markets.
8 Today's minuscule amounts of competition appear to be centered almost completely around
9 the core business central offices with little if any presence in the suburban areas. In the
10 recent Tampa Rate Center proceeding, Docket 010102-TL, Verizon showed that all of the
11 ALECs in the five Tampa exchanges were concentrated in one exchange. The Commission
12 should still be concerned about whether the Company will use its monopoly powers to
13 provide preferential service in the highly competitive areas of its markets to the detriment
14 of customers in the rural and suburban exchanges that are not competitive. The exchange
15 provisions of the rule allow the Commission to track the company's good faith efforts to
16 compete fairly and still fulfill its obligations to the non-competitive customers.

17 **Q. Mr. Ferrell, on page 28 of his testimony, states that it is a common industry practice to**
18 **provide faster repair times for business customers than for residence customers. Is that**
19 **correct?**

20 **A.** Mr. Ferrell confirms that it is Verizon's practice to do so. If the company can find the
21 resources to accelerate the repair of business phones (the Verizon objective is 8 hours), then
22 the company should have no difficulty in meeting its obligation to repair residential outages
23 in less than 24 hours.

24 **Q. Mr. Ferrell maintains that the company is providing quality service in Florida. Is that**
25 **correct?**

1 A. I can't speak for any period outside the scope of this docket, which relates to the discovery
2 we obtained. I believe, however, that it is a mistake to accept self-generated reports by any
3 company in reaching a final conclusion regarding compliance with PSC rules. Based on both
4 the company reports and our discovery, we can state with certainty that the company
5 consistently violated the PSC rules in 1996, 1997, 1998 and 1999. However, Exhibit REP-
6 26 shows that Verizon's performance on its service order installations may also look a great
7 deal better than the company actually reports. This internal report shows that over 5% of the
8 company's completed orders for new service result in a repair report within seven days of
9 the installation. This report is not shared with the PSC Staff. If the company passes a
10 service order for new service as completed, it should mean that the service will work for
11 more than seven days without requiring a repair.

12 **Q. Mr. Ferrell, on page 11 of his testimony, indicates that you agree that the Company**
13 **balances cost and quality concerns. What is your response?**

14 A. That's correct. The company does balance its service obligations and its financial goals,
15 however service ends up on the light end of the scale. In my surrebuttal testimony to John
16 Appel, I will show you how the heavy-handed management approach of Verizon
17 Headquarters demands compliance with both budget and service objectives. My review of
18 the correspondence indicates that the major emphasis was on the budget, but Headquarters
19 was not shy about demanding improved service while they cut the budget. In terms of
20 balance, I believe the most relevant documents are Mr. McDonald's testimony that shows
21 the company violated the PSC installation and repair rules 773 times during the time frame
22 of this docket (Exhibit DBM-10) while they reduced their average cost per line dramatically
23 (Exhibit REP-22). Although the Company does not reveal its profits in Florida, the
24 Commission should have little trouble in determining from this data that the company's
25 profits in Florida have substantially risen under price caps, while its compliance with PSC

1 rules has been allowed to decline. While the company talks about competition, it continues
2 to thrive from increased revenue streams generated from new services, from the high natural
3 growth rate in Florida, from exceptional growth of second lines, and by taking advantage of
4 price increases under price caps that it has exercised whenever it is given the opportunity.
5 The expectation of economists who are champions of free markets and competition is that
6 competition will produce more choices, better service and lower costs. Apparently the lower
7 costs enjoyed by the company are being shared only with its stockholders, and the customers
8 are left with higher rates and service that fails to comply with the rules of this Commission.

9 **Q. Mr. Ferrell maintains that Public Counsel conducted extensive testimony and failed to**
10 **find any evidence that the company willfully violated the PSC rules. What is your**
11 **response?**

12 **Q.** As Mr. Ferrell points out numerous times, the Company management team didn't get
13 together and hatch out a plan to provide poor service in Florida. It was a **result** of their
14 failure to take corrective action over a four-year period that caused the company to fail. To
15 fail for as long as one year might have been excusable. This Commission has a record of
16 prudent decision-making and probably would not have penalized the Company for one year
17 of failures. But to allow continued failure to provide adequate service to meet the
18 Commission standards while reducing costs per line over a four year period shows a callous
19 disregard for Florida consumers' needs and wants.

20
21 There is no evidence that Verizon top management ever told its Florida organization that it
22 must fix the service problem first and worry about the budget objectives second, in that
23 priority, until late 1999 when Mr. Appel stated his expectations that the PSC standards
24 were not to be traded off for other corporate goals. (Exhibit REP-27). Mr. Appel's August
25 1999 directive was replaced, however, with his traditional mandate on December 3, 1999

1 when he advised Mr. Ferrell again that he expected Florida to meet both its budget and
2 service commitments. (Exhibit REP-28)

3
4 It was not until late 1999 when the storm clouds were rising in Florida about Verizon,
5 BellSouth and Sprint's quality of service that the company actually took strong steps to
6 correct its failures that dated back to 1996.

7
8 I dispute Mr. Ferrell's contention that the primary (underlining and bold face added),
9 continuing emphasis at the Florida Company and at Headquarters was not on making more
10 money, but on meeting the Commission's service standards. Why did they wait four years?
11 Why did they take the money from their increased revenue streams and price cap rate
12 increases and put it in the bank? Why didn't they invest some of the money back into the
13 Florida operation?

14 **Q. Mr. Ferrell next points out that they exceeded the budget by \$20.5 Million in 1998 and**
15 **by \$7.9 Million in 1999. He cites this as proof that the budget did not take priority.**
16 **What is your response?**

17 **A.** According to Public Counsel's deposition of Verizon witness Russ Diamond on April 30,
18 1999, the company overran its 1998, 1999 and 2000 budgets on a normalized basis (apples
19 to apples) by the following amounts:

20	1998	\$8 Million (excludes impact of El Nino)
21	1999	\$7.9 Million
22	2000	\$6.6 Million

23 I am not faulting Mr. Ferrell's testimony here because his testimony is correct also. There
24 are numerous ways to look at the Verizon budgets. As a result of our discussions with Mr.
25 Diamond in his deposition, we were able to agree that the Verizon budget overruns in 1998,

1 1999 and 2000 were consistently in the neighborhood of \$7 to \$8 million on a normalized
2 basis.

3
4 It is true, as Mr. Ferrell points out, that the company attempts to balance its financial goals
5 and its service obligations. Company correspondence repeatedly stresses these factors. Yet,
6 year after year, the company has adopted budgets that were consistently understated. When
7 Peter Daks asked for additional funding to account for unexpected demand, he was told to
8 absorb the costs. When requests were made for additional preventive maintenance funding,
9 the additional funding never appeared. Verizon's Florida management team stated in mid-
10 1999 that the current headcount was insufficient to meet the installation and repair load.
11 When the company proposed to eliminate 41 central office jobs in 1999, they were told that
12 it would have a negative impact on service. The job reductions were accomplished anyway.
13 When Mr. Ferrell took his resources out of construction in 1999 and put them into the
14 installation and repair load, the company committed 202 installation violations, the most, by
15 far, of any year in memory for Verizon. Was that because of the absence of personnel who
16 were doing the construction work that provided new facilities to meet service order
17 demands? Looking at the Verizon organization over this four year period, there is massive
18 evidence of insufficient resources, under funding and budget overruns. One directive
19 received on November 24, 1998 from company headquarters states that the 1999 budget
20 headcount should reflect what you can afford to staff, **based on the targets you've received.**
21 (Bold face and underlining added) (Exhibit REP-29) The target budget referred to here was
22 at the beginning of the 1999 budget cycle, and it was \$25 million less than they were
23 ultimately required to spend in Florida during a period of drought while they continued to
24 fail to meet the PSC service standards. The Commission should ignore what Verizon says
25 and look closer at what they have done.

1 **Q. Is there any significance to the budget overruns that Mr. Ferrell is referring to?**

2 A. Only to the extent that whatever the level of corporate expenditures during the time period
3 of this docket, it was still not sufficient to provide an adequate force capable of meeting the
4 PSC rules. It would not be a problem if the budgets were established with the primary goal
5 of meeting PSC service objectives as Mr. Ferrell states. The problem is that the time for
6 making provisions for an adequate force are at the beginning of the budget cycle, or
7 preferably earlier, because it takes time to hire and train qualified employees. By failing to
8 have a core group of qualified employees available to meet the installation and demand load
9 at the beginning of the year, Verizon was forced to utilize excessive amounts of overtime and
10 construction personnel (Infrastructure Provisioning) to work throughout the year to meet the
11 demand load. Verizon's own employees have clearly stated that excessive overtime, use of
12 contractors and construction personnel are inefficient and expensive. Exhibit REP 30 is a
13 copy of the September 1999 service plan for Florida that included the need to add 110
14 technicians and utilize construction personnel for the final six months of the year to attempt
15 to respond to the installation and repair load for the remainder of 1999. These actions were
16 expensive. It's no wonder that they exceeded the budget. Mr. Ferrell states that the budget
17 was not the top priority, however, the budget is obviously what kept the company from
18 providing an adequate force available to meet installation and repair loads in 1999.

19
20 **Q. Was there a Verizon corporate mandate to bring the company in line with PSC service**
21 **standards?**

22 A. Mr. Farrell states that in his testimony on page 13 that he exceeded the budget in late 1999
23 and that he intends to continue to provide satisfactory service. However, many of the things
24 he did in late 1999 were temporary in nature. For instance, his use of construction personnel
25 to meet the installation and repair load during the during the last six months is a practice that

1 cannot be sustained indefinitely. Use of stopgap measures to meet the day to day installation
2 and repair load during a drought doesn't leave much insurance when Florida's traditional bad
3 weather patterns return. Mr. Ferrell notes on page 13 that it is difficult to meet the service
4 standards in Florida "given the seasonally extreme weather." If properly staffed to meet the
5 demand load with full time employees during the normal months, it is far easier to utilize
6 higher levels of overtime and construction personnel to meet the exceptional demands as
7 they occur. The need to use construction personnel and hire new contractors and put more
8 employees on the payroll in the fourth quarter 1999 during a period of drought is a clear
9 indication that the Company didn't have enough people on the payroll in Florida to do the
10 job in 1999. The same is true for 1998. That's why they failed to comply with the PSC rules.

11 **Q. On pages 14, 15 and 16 of his testimony Mr. Ferrell discusses his personal actions that**
12 **improved repair service in Florida. What is your response?**

13 **A.** Mr. Ferrell fails to mention his budget-breaking expenditures that were necessary to make
14 it happen.

15
16 Mr. Ferrell states that he implemented a TAC Focus maintenance program involving a
17 dedicated team, and a process to better identify areas in need of preventive maintenance.
18 This is exactly the same proposal made by Peter Daks and Verizon Headquarters in late 1997
19 and early 1998.

20
21 He also concluded that open plant conditions were causing an inordinate amount of trouble
22 and he stepped up air pressure activities and the closing of temporized plant that was
23 subjected to the elements. The company closed over 1400 temporary closures (taped
24 openings) in its outside plant early in 1999 prior to the arrival of the rainy season.

25 **Q. What are temporary closures, and why are they so bad?**

1 A. If you have ever observed an overhead telephone cable with what looks to be a black garbage
2 bag around it, that is a taped opening. Telephone personnel are trained to enter telephone
3 cable splices, make repairs, and then seal and replace the splice case to prevent water from
4 entering the splice. When technicians are not given enough time to complete the sealing and
5 replacement of the splice, they frequently place black plastic around the splice and tape it
6 shut. The practice is not good, because the plastic allows humidity to enter the splice and
7 the daytime sun creates even more moisture within the temporary splice. And, more often
8 than not, the technician never finds the time to return to clean up his mess. Taped openings
9 are a clear indication of failure to have enough employees available to do the job right the
10 first time. Mr. Ferrell was right by targeting this problem for urgent attention in 1999.

11
12 He also implemented training for employees on bonding and grounding. This was not a new
13 idea. It was first recommended in January 1998 and, apparently, was not accomplished..

14 **Q. Mr. Ferrell states that OPC has produced no evidence reflecting any policy or practice**
15 **of disregarding this Commission's service standards. Did Verizon Headquarters fail**
16 **to provide needed resources to Florida operations that would have allowed the**
17 **company to meet its service obligations in Florida?**

18 A. Peter Daks formally requested additional funding on May 2, 1996 (Exhibit REP-31). He was
19 turned down by John Appel on June 18, 1996, who stated that the resources allocated to
20 Florida in 1996 were adequate to absorb increased growth. (Exhibit REP-32) The company
21 violated the PSC installation and service rules 205 times in 1996.

22
23 Peter Daks again wrote to Verizon headquarters on October 22, 1997 suggesting the need
24 for a Bad Pair Recovery Program, including required funding for startup, funding for a
25 dedicated TAC Focus team to provide day-to-day preventive maintenance and greater

1 funding for the TAC Focus projects. (Exhibit REP-33)

2
3 Mr. Daks wrote to M.L. Keith on January 7, 1998 to provide an update on Florida's service
4 emergencies. Here's what he stated in this letter:

5 "I know my continued position on this subject may not be popular, but the TAC
6 Focus program presently in place, by itself, does not have sufficient in-depth analysis
7 to provide the maintenance program that we need to fix areas like St. Petersburg and
8 Clearwater. We have got to identify those outside plant issues and find the dollars
9 to fix outside plant and prevent the amount of trouble that we have experienced this
10 year in the future. This is affecting our ability to deliver quality and cost objectives."

11 (Exhibit REP-34)

12
13 Mr. Daks requests for Headquarters funding and support are no different than those adopted
14 by Mr. Farrell, except that nothing happened when Mr. Daks made his requests in 1997 and
15 1998.

16
17 Following Mr. Daks' letter to Headquarters in late 1997 a six page letter was released by the
18 Headquarters Service Assurance Team in January 1998, outlining a list of issues, findings,
19 and recommendations to address "the more critical (Florida Region) issues that must be
20 resolved immediately." (Exhibit REP-35)

21
22 Following are highlights of the Service Assurance team's finding:

- 23 1. Prioritization of TAC Focus jobs.
24 2. High trouble exchanges should be targeted for Quickseal opportunities.
25 3. Additional training for personnel regarding TAC Focus procedures

1 4. Failure to complete TAC Focus jobs because of inadequate funding for cutover.

2 5. Utilize a core group of isolators to be trained in all aspects of TAC Focus.

3 The Assurance Team also noted the numerous other problems in Florida which I have
4 highlighted:

5 1. Delay in turnaround time for TAC Focus.

6 2. H.P.U. push overriding the need for quality.

7 3. Frustration in the field about lack of action on identified TAC Focus jobs.

8 4. Plant design not allowing for cost effective maintainable network.

9 5. Improper grounding of SLICs. (Referred to as Digital Carrier by Mr. Ferrell)

10 6. Older workforce being in a position to leave in the next few years without
11 competent trained personnel available to take over.

12 7. No dedicated workforce for preventive maintenance activity.

13 8. Bonding and grounding specifications are not understood at the technician level.

14
15 Many of the changes recommended by the Service Assurance team in January 1998 are the
16 same ones that Mr. Ferrell states he implemented in late 1999, almost two years later. When
17 Mr. Ferrell implemented his program in Florida in late 1999 he did so with the addition of
18 more than 110 additional technicians to meet the installation and repair load. Why did the
19 company ignore these recommendations for almost two years unless it was due to budgetary
20 constraints?

21
22 The January 1998 recommendations coupled with Peter Daks specific request for TAC Focus
23 funding in late 1997 and again in early 1998 all involve significant budgetary implications
24 that could only be dealt with properly by the Verizon leadership in Texas. Two specific
25 recommendations deserve special mention. Item 2 refers to "H.P.U. push overriding the need

1 for quality.” John Appel frequently mentioned the Hours Per Unit performance in Florida
2 as the reason why Florida was failing to meet the budget. His staff, in this document, was
3 saying that too much pressure on H.P.U.s (average hours per each installation or repair)
4 resulted in poor quality work. In other words, if a technician was given adequate time to
5 complete a repair or installation and fix bad facilities such as defective drops and old network
6 interfaces at the same time that service would be better in the long run.

7
8 The second item that deserves mention is the observation that Florida had an older workforce
9 subject to retirement and there was a need to have adequate replacements when they retired.
10 Apparently, nothing happened to the extensive recommendations that were published by
11 Verizon Headquarters staff in January 1998. That’s probably because on November 7, 1997
12 John Appel wrote to his nationwide operations team with a mandate to reduce Network
13 Services expenses by \$267.4 Million in 1998. (Exhibit REP-36) I am simply assuming that
14 additional headcount and increased budgetary needs was not a popular subject with Verizon
15 top management in early 1998.

16 **Q. On page 19 of his testimony Mr. Ferrell states that your fundamental premise is that**
17 **more money automatically equals better service quality and that this is false. What is**
18 **your response?**

19 **A.** Mr. Ferrell seems to be trying to convince the Commission that it’s not about the money, and
20 his testimony appears to indicate that it only took smart management, not more money or
21 additional headcount. However, Mr. Ferrell ignores his own 1999 service improvement plan,
22 Exhibit REP 37 that states that one of the top four reasons for missed OOS/2+ is that the
23 volume of reports is beyond the clearing capacity of the available workforce. Mr. Ferrell
24 also ignores the fact that he exceeded the 1999 budget by \$8 million during a period of
25 drought and still violated the PSC rules 242 times.

1 However, this docket ends with December 31, 1999 and it is of no concern whether Verizon
2 operates economically or whether it has excessive employees. The budget and headcount
3 is Verizon's business. The only requirement that this Commission should be concerned with
4 is whether Verizon manages those employees well enough to meet the standards of the
5 Commission. During the 1996-1999 time frame the answer is no.

6 **Q. On page 20 Mr. Ferrell discusses the Commission's show cause order that followed the**
7 **mandate by Mr. Appel on September 2, 1999 by eight days. He states that the**
8 **Company was not aware of the show cause order until it was released.**

9 **A. Mr. Appel's mandate for improved service was one of the few times he mentioned service**
10 **without also mentioning the budget and hours per work unit. I stand corrected. However,**
11 **Exhibit REP-38 and Exhibit REP-39 shows copies of newspaper coverage in Florida that**
12 **appeared in mid-1999 regarding Verizon's service. In mid 1999 there was a storm brewing**
13 **regarding Verizon service, and the management team had good reason to be concerned about**
14 **their risks long before the Show Cause order was issued.**

15 **Q. On page 21 and 22 Mr. Ferrell discusses new procedures implemented by the Company**
16 **in late 1998 that impacted service orders and installation results. He states, "System**
17 **implementation problems were particularly acute during February through March**
18 **1999. What is your response?"**

19 **A. Verizon had zero installation rule violations in February 1999, 1 in March and 6 in April.**
20 **(Exhibit DBM, page 2) It was the best three-month stretch of installation performance for**
21 **the company since January, February and March 1997. Mr. Farrell states "that this unique**
22 **event significantly affected results for the year," but it didn't have any observable impact**
23 **during the time when he states that the activity peaked, in February and March, 1999.**

24 **Q. Mr. Ferrell discusses the impact of rain, lightning and thunderstorms on page 23 of his**
25 **testimony and he states that because Verizon cannot control the weather, its failure to**

1 meet standards because of the weather cannot be deemed willful. What is your
2 response?

3 A. During the four years at issue, Verizon failed to meet the PSC standards when the weather
4 was good and also when it was bad. It is common knowledge that Florida is in its third year
5 of drought now, a drought that started in 1999. Mr. Ferrell did not mention rainfall levels,
6 although he included a number of flood scenes in his exhibits. This happened in the first
7 year of the current Florida drought. According to the National Climatic Data Center, the
8 average annual rainfall for Tampa is 43.92 inches. Tampa's 1999 rainfall was 34.84 inches.
9 The average annual rainfall for Bradenton is 53.71 inches and 1999 rainfall was 49.56 inches.
10 I've already mentioned the company's 242 rule violations in Florida during 1999.

11
12 The Commission should not consider the impact of lightning as suggested by Mr. Ferrell for
13 two reasons. First, the company witness Russ Diamond, in his deposition, stated that the
14 impact of lightning on PSC Service measurements was not significant. Second, the
15 company failed to have an effective bonding and grounding plan in effect during the four
16 years at issue as per the Verizon Headquarters Service Assurance Team (Exhibit REP-35,
17 Exhibit REP-30). To operate in the lightning capital of the United States without effectively
18 bonding and grounding your facilities is sheer folly. I commend Mr. Ferrell for moving to
19 resolve the problem, at last.

20
21 Mr. Ferrell provided significant newspaper reports about rainfall and weather that are not
22 unusual for the Tampa Bay area. Exhibit REP-40 is a chart from Florida's July 13, 1999
23 Region Review spells out the main problems the company had as of mid-1999. Ignoring the
24 first seven problems, let me share with you what Verizon's top management in Florida
25 thought their biggest problems were as they related to their outside plant facilities:

- 1 1. High Trouble Volumes
- 2 2. Poor Quality in Previous Construction and Repair
- 3 3. Significant Bonding and Grounding Issue, including HDSL Grounding Issues
- 4 4. Maintenance Required on DLCs

5 The second page of that review targeted specific areas that needed improvement including
6 a temporary closure attack team, an aggressive TAC program, employee bonding and
7 grounding training, bonding and grounding improvement and air pressure.

8
9 As Mr. Ferrell states, Verizon cannot control the weather, however it should be held
10 responsible for failure to seal its plant, to leave temporary closures open to the elements, to
11 eliminate poor quality in previous construction and repair and to properly bond and ground
12 its plant facilities.

13
14 All of the problems identified in this Verizon document, would, in combination, produce
15 high trouble volumes that would exceed the company's ability to control during periods of
16 bad weather. That's exactly what Peter Daks said in January 1998.

17
18 Verizon's 1999 service improvement program is representative of the positive steps that
19 should be taken by any telephone company to achieve good service. It's simply good
20 management. Virtually the same steps were recommended almost two years earlier. The
21 only reason those measures would not have been implemented is a lack of resources.

22
23 Based on the information provided by Verizon's own people, it is perfectly reasonable for
24 this Commission to accept the concept that the trouble volumes are excessively high because
25 of Verizon's poor outside plant facilities and failure to provide the necessary resources to

1 provide quality service. The Florida Region should be Verizon's leader in TAC Focus,
2 bonding and grounding, Quickseal programs and in the absolute elimination of temporary
3 closures. It is Verizon Headquarter's responsibility to put the money it needs to put back
4 into Florida to eliminate these problems. There is no reason why well-maintained outside
5 plant facility troubles should overwhelm the capabilities of a sufficient group of installation
6 and repair technicians every time it rains with the technologies available in modern outside
7 plant facilities. If the installation and repair organization is properly staffed to meet the daily
8 load, and the facilities are in good repair, then support from construction and contract
9 personnel will be minimal, and only necessary during dire emergencies.

10 **Q. At the middle of page 24 Mr. Ferrell states that "Mr. Poucher claims that Verizon's**
11 **problems with lightning are caused largely by its failure to dedicate adequate resources**
12 **to bonding and grounding. But the only document that purports to support this point**
13 **is a report showing the company's progress toward the goal of grounding crossboxes.**
14 **Contrary to Mr. Poucher's opinion, this document does not indicate any refusal by the**
15 **Company to fund grounding efforts." What is your response?**

16 **A.** It is prudent to adequately fund bonding and grounding issues and Verizon has failed to do
17 so. Exhibits REP-30, 35 and 40 clearly indicate that it was common knowledge within the
18 company since 1998 of a significant bonding and grounding problems and the need for
19 training and the lack of understanding of the basic concepts and the need for training. The
20 July 13, 1999 Region Review chart clearly identifies the same bonding and grounding
21 problem as one of the significant issues that was still facing the Florida Region in 1999.
22 These are not my ideas. They come straight from the company reports.

23 **Q. Mr. Ferrell states that the Company experienced an unusually high number of**
24 **employee retirements in late 1998 and early 1999 and it has been difficult to attract and**
25 **retain qualified workers to remedy workforce attrition. What is your response?**

1 A. The company was warned in January 1998 (Exhibit REP-35, page 4) that Florida had many
2 senior technicians about to retire and they needed to have replacements on board to fill their
3 shoes. That should have been sufficient warning for Verizon's Florida operations to take
4 timely action to deal with the problem.

5 Q. Mr. Ferrell seems to indicate that there is some doubt about what his predecessor ,
6 Peter Daks, meant when he was quoted in your testimony about the need "to exercise
7 cost controls directing our focus on the extremely competitive markets." What is your
8 response?

9 A. In his testimony on page 27, line 11, Mr. Ferrell seems to doubt that the statement was even
10 made. Exhibit REP-41 is a letter from Peter Daks to John Appel dated May 13, 1996
11 discussing Florida's unfavorable service results and the company's plans to get the
12 Commission to adopt "less rigid standards." In paragraph three, Mr. Daks states the
13 following:

14 "At an Exchange level, which is how the Commission monitors our results, we
15 are falling short of the standard primarily in our less competitive exchanges as
16 we exercise cost controls directing our focus on the extremely competitive
17 markets."

18
19 Mr. Daks's statement seems very clear to me and it appears to me that he was stating that
20 the budgetary controls were adversely affecting service to Florida consumers. That's exactly
21 what Verizon says it does not do.

22 Q. On page 29 and page 30 Mr. Ferrell discusses your testimony regarding price cap
23 regulation and he states that price caps achieved "exactly the effect on GTE that it is
24 supposed to--it compelled the Company to operate in the most prudent and efficient
25 manner practicable. What is your response?

1 A. Mr. Ferrell missed the point of both my testimony and the purpose of price caps. I intended
2 to state in my testimony that if the company were still under rate of return regulation today,
3 that we would have undoubtedly engaged in rate case activity since January 1, 1996 and the
4 Commission would have held a strong hammer over the Company to ensure compliance with
5 its service rules. With the advent of price regulation, the Commission's power to enforce its
6 service rules is substantially reduced. Mr. Ferrell comments regarding the objective of price
7 caps is inconsistent with the goals of the Florida Legislature that adopted price caps in 1995
8 to introduce competition so that consumers could enjoy more options, better service and
9 lower prices. The Florida Legislature did not act with the intention of increasing profits for
10 Verizon and allowing service quality to decline.

11 Q. Mr. Ferrell describes your recommended fine of \$19.3 million as ridiculously high and
12 he argues that the Commission should close the docket because the Company has
13 produced no evidence reflecting any policy or practice of disregarding this
14 Commission's service standards. What is your response?

15 A. I would have been surprised to find a document in Verizon's files that states "it is our plan
16 to violate the PSC rules." The company's actions speak for themselves, and the voluminous
17 documents provided by both Public Counsel and the Company demonstrate that the company
18 apparently chose profits over service. It was, in the final analysis, all about the money.

19
20 As to the amount of the fine, the Commission is reminded that the only method available to
21 this Commission to insure compliance with its service rules is to fine a company when it
22 willfully violates those rules. If the Commission determines that a fine is appropriate, then
23 you will encourage non-compliance in the future if the penalty is not large enough to
24 constitute a deterrent. The penalty must have a positive impact to demonstrate to all
25 companies that their service obligations to their customers and the rules of this Commission

1 are truly important.

2
3 Just recently, on May 3, the Wall Street Journal published an extensive article regarding
4 telephone service problems. In this article, one observer was quoted as saying, "The fines
5 that state and federal regulators impose generally amount to little more than a scolding and
6 provide virtually no incentive to improve. It's cheaper for the phone company to pay the fine
7 than offer the service." Exhibit REP-42.

8
9 The penalty must be commensurate with the size of the revenues the company takes out of
10 the Florida market. Verizon's Network Services expenses over this four year period were
11 almost \$600 million dollars. They have cut their cost per line in Florida dramatically over
12 the past four years while continuing to ignore the Commission's rules. My recommended
13 penalty of \$19.3 million dollars for four years of willful violations is quite reasonable when
14 you consider the size of the corporation. If you were to calculate that the company was
15 understaffed by 150 technicians during this time as suggested by one Verizon document, the
16 appropriate penalty would amount to \$45 million based on an annual salary of \$75,000.
17 Looking at the larger picture, my recommendation is not unreasonable. If you accept my
18 recommendation, you will be fulfilling your obligation to protect Florida's consumers and
19 you will send a strong message about how we feel in Florida about bad service.

20 **Q. Please discuss the testimony of Mr. Appel.**

21 A. Mr. Appel was the corporate leader of Verizon's Network organization during the entire
22 period of time that is encompassed by this docket. He states of page 2 of his testimony that
23 there is no support for Public Counsel's allegations that Verizon Headquarters forced their
24 Florida operations to pursue profits in deliberate disregard of the Commission's installation
25 and repair standards. Mr. Appel basically states that this docket is not about the money. It

1 is Public Counsel's position that this docket is all about the money. Why else would a
2 competent and respected organization such as Verizon allow its Florida operations to
3 continuously violate this Commission's rules over a 4 year period if it did not have other
4 priorities that took precedence?

5
6 First, Verizon failed to fix this problem until after the Commission had opened this docket.
7 Second, the Verizon budget process during this four year period left the Florida Region with
8 staffing that was incapable of meeting the installation and repair load within time frames
9 required to comply with the PSC rules. Mr. Appel personally refused Peter Daks request for
10 funding in 1996 to meet unanticipated service demands. Verizon failed to take prompt action
11 to adequately maintain its outside plant facilities by ignoring Peter Daks request for
12 additional TAC Focus funding in 1997 and 1998 and it ignored the recommendations of its
13 staff to take remedial action in Florida in January 1998. All of these actions were taken
14 while Mr. Appel was in charge of Headquarters Network Services.

15
16 My review of Verizon's correspondence over the four year period shows that Mr. Appel
17 consistently demanded that the Florida organization meet all of its financial commitments
18 and service obligations to Verizon Headquarters. Following are the highlights of that
19 correspondence:

20 1. May 2, 1996--Peter Daks, the Florida President at that time, responded to Mr.
21 Appel's request why Florida was over budget. Daks response includes plans to
22 reduce Florida expenses by \$3.2 million during the remainder of 1996, and he
23 requested increased funding to cover growth.

24 2. May 13, 1996--Daks to Appel "regarding failure to meet Florida PSC measures,
25 stating: "We are working with BellSouth and other major LECs to advocate revisions

1 to the Florida Commission...movement to fewer objectives and less rigid standards.”

2 3. May 14, 1996--Notes by Appel stating: “Conducted a conference call with Florida
3 Region regarding performance versus budget...Indicated that HPU and non-revenue
4 producing work volumes suggest a lack of adequate focus.” (There was no mention
5 of service in this two-page document.)

6 4. June 18, 1996--Appel to Daks: Relates to Appel’s expectation of Florida Region
7 to provide reliable, dependable service in order to meet competition. Appel states
8 that the Florida Region has the ability to absorb increased demands for new service
9 and that “the resources allocated in Florida in 1996 should be adequate to meet
10 service quality objectives.”

11 5. Letters dated 6/28, 7/26, 8/8, 8/23 from Daks to Appel discussing overtime,
12 productivity (HPU) and service results. (The service results reported in these updates
13 were Verizon corporate service objectives that are less stringent than the Florida PSC
14 rules.)

15 6. January 16, 1997--Daks to Appel explaining reasons for budget overrun per their
16 earlier discussion.

17 7. January 23, 1997--Notes by Appel to Daks stating “Failure to significantly and
18 rapidly improve service quality and/or meet budget targets will be unacceptable.
19 (Again, Verizon’s service standards are not the same as the PSC rule requirements.)

20 8. October 9, 1997--M.L. Keith, Senior Vice President--Regional Operations letter
21 to Daks about Florida’s budget overrun of \$2.039 million and their failure to meet
22 Verizon Service/Quality measurements.

23 9. January 7, 1998--Daks to Appel letter stating need for funding to fix outside plant.

24 10. January 28, 1998--Appel to Keith stating that he was concerned about failure to
25 meet PSC measures in Florida and other regions.

1 11. April 25, 1998--Appel to Keith, stating: "I remain concerned about our
2 performance in Florida where we have missed the % OOS repaired within 24 hours
3 objective 9 out of the last 10 months. We are at great risk and I expect extraordinary
4 action to achieve sustained performance to objective.

5 12. September 2, 1999--Verizon notes stating that per John Appel, PSC measures
6 were "not to be traded off."

7 13. December 3, 1999--Appel to Keith regarding need to comply with both service
8 and budget goals in Florida.

9 As Mr. Appel states in his testimony, "Headquarters had been telling the Florida Region to
10 improve results for quite some time prior to the initiation of this proceeding." Indeed, the
11 management style of Verizon Headquarters consistently demanded compliance with ALL
12 of Verizon's financial and service goals and the Region was continually badgered about its
13 failure to meet the budget. Good soldiers attempt to follow the directives of their generals,
14 even when the commands are impossible to follow.

15
16 It was not until late 1999 that Mr. Appel stated to the Florida organization that the PSC
17 measures were not "to be traded off" with other corporate objectives. This statement was
18 made two weeks before the show cause order was announced and it was followed with a
19 comprehensive, nine page document released following the Show Cause order outlining a
20 comprehensive plan to comply with the PSC rules. On December 3, 1999, Mr. Appel
21 reverted to his traditional demands that Florida meet both its budgetary and service
22 commitments. Verizon, during the four years encompassed by this docket, consistently
23 failed to dedicate the necessary resources to the Florida Region to ensure compliance with
24 the PSC rules, while at the same time it pursued financial goals that substantially reduced
25 their Florida expenses and improved Verizon's profit.

1 Q. Was it about the money?

2 A. Of course it was about the money.

3 Q. In his rebuttal testimony, Mr. Diamond discusses the negative effect of exchange
4 specific reporting. What is your response?

5 A. Verizon has clearly stated its dislike of the Florida PSC rules and its desire to move to “less
6 stringent standards.” That is not an issue in this docket, however.

7 Q. Mr. Diamond describes the budgetary process at Verizon as a bottoms up process that
8 is developed locally, approved by Headquarters and that it always assumes that the
9 company needs to meet PSC standards. What is your response?

10 A. Mr. Diamond is responsible for the Florida budget, and he reports directly to Chuck Lindner
11 on the Verizon Headquarters staff. Mr. Diamond builds the Florida budget based on
12 forecasted demand and productivity assumptions, and he adjusts the total budget, usually
13 downward, to account for impacts from specific programs such as TAC Focus. He then
14 spreads the budget over the various operational groups by job title and by month. Significant
15 additional funding is available in the budget, however these funds are only available by
16 specific authorization from Headquarters management. Mr. Diamond spreads the budget
17 over the various operational groups by job title and by month. This is the normal pick and
18 shovel work of budget management.

19
20 Correspondence between Headquarters and the Florida Region clearly indicate that changes
21 in the budget are authorized by Verizon Headquarters. Mr. Diamond’s testimony states that
22 the budget process always contemplates compliance with PSC rules. However, in his
23 deposition, Mr. Diamond stated that additional funding was provided in late 1999 in order
24 to attempt to comply with PSC rules. This is the first indication of such funding during the
25 entire period covered by this docket. Mr. Appel continually pressured the Florida Region

1 regarding the budget and there is no indication from his correspondence that service took any
2 priority over the budget. More importantly, the company admits that for each of the four
3 years involved in this docket that the budget authorized by Headquarters was significantly
4 below what the company actually needed to spend during the year and the Verizon target was
5 below that . The company does not dispute the fact that it failed to comply with the PSC
6 rules during each of the four years.

7
8 Verizon's budget consistently understated the funds needed by Florida to satisfy the Florida
9 PSC rule requirements for the entire four year period. It is the position of Public Counsel
10 that the Verizon budget process was flawed and never worked to provide good service in
11 Florida during the period at issue. While additional funding was provided in late 1999,
12 according to Mr. Diamond, for the purpose of improving compliance with PSC rules, there
13 is no indication that any such adjustments were made prior to late 1999. The timing of those
14 adjustments is consistent with the initiation of this docket.

15 **Q. On page 5 and 6 of his testimony Mr. Diamond stated that no documents were provided**
16 **that support OPC's position that the company failed to provide sufficient funding for**
17 **preventive maintenance. What is your response?**

18 **A.** My direct testimony included a chart showing that preventive maintenance funding had
19 dropped from more than \$20 million dollars in the early 1990's to a range of \$4-7 million in
20 the late 1990s. (Exhibit REP-6) Certainly Mr. Diamond understands that preventive
21 maintenance (TAC Focus) represents a long range program that prevent troubles over an
22 extended period of time. I perceived a strong correlation between Verizon's reduced
23 spending on preventive maintenance over a 9 year period and a reversal of the downward
24 trend that the company had established when it was adequately funding the program in the
25 early 1990s. It's a matter of pay me now or pay me later. In telephone terms, it is far better

1 to fix a bad cable in a single job before the cable fails and generates a large number of
2 individual trouble reports. During his deposition, Mr. Diamond was asked why the chart was
3 prepared. Mr. Diamond admitted that he prepared the chart for Mr. Daks and it was used to
4 attempt to convince Verizon Headquarters to increase its funding for preventive
5 maintenance.

6
7 Mr. Daks personally appealed to Verizon headquarters in 1997 for a dedicated TAC Focus
8 team and revision of the formulas to expand TAC Focus funding. Mr. Daks stated that the
9 existing TAC Focus process was not capable of dealing with areas such as St. Petersburg and
10 Clearwater and he asked for additional funding. Verizon Headquarters criticized the TAC
11 Focus program in Florida in early 1998 and suggested numerous changes, including a
12 dedicated TAC Focus work force. Verizon's Region management cited the need for an
13 "aggressive TAC Focus program" as one of the key needs of the Region in mid 1999. Peter
14 Daks was right. Preventive Maintenance activities in Verizon's Florida Region were
15 inadequate during the time frame of this docket.

16 **Q. On page six of his testimony Mr. Diamond states that "Mr. Poucher claims that**
17 **Verizon did not undertake the employee training and funding necessary for proper**
18 **bonding and grounding. This conclusion is wholly unfounded."**

19 **A.** I'm not going to fault Mr. Diamond, who is primarily a budget person who was recently
20 assigned to his first operational assignment, to be familiar with company correspondence on
21 the importance of bonding and grounding in the telephone network. This issue was well
22 covered in my rebuttal to Mr. Ferrell and the numerous Verizon documents that support my
23 testimony clearly demonstrate the presence of significant bonding and grounding problems
24 that were not addressed by the company. My testimony on this subject was almost word for
25 word taken from Verizon's own documents.

1 Q. On page 9, Mr. Diamond states that it is not true that Verizon's budgetary process was
2 "clearly managed" toward earnings rather than service obligations. What is your
3 response?

4 A. Two documents were used in my original testimony to show the absence of any correlation
5 between the company's budget and its PSC results in 1997 (Exhibit REP-13, pages 1 and 2).

6 These two charts should be viewed together. What they show is that the company basically
7 met the PSC standards during the first five months of 1997. Actual expenses during this
8 same time period were extremely close to the budget. Beginning in June, the company
9 experienced seven consecutive months of failure to comply with PSC rules. If the **primary**
10 **focus** of Verizon was actually to meet the PSC rules, as stated by the company witnesses,
11 the company would have exceeded its budgets between July and November 1997 by a
12 substantial amount. No such adjustments were made, however. Through the month of
13 November, the company had actually underspent its 1997 budget on a year to date basis by
14 \$1 million, while they continuously violated the PSC rules. Finally, in December, with
15 torrential rains and flooding from El Nino, the company exceeded its monthly budget by \$1.5
16 million. On a year to date basis, however, the overrun was only \$.5 million and Verizon
17 failed miserably to put service ahead of the budget.

18 Q. Do you have any additional observations regarding Mr. Diamond's testimony?

19 A. The remainder of Mr. Diamond's testimony defends the company's budgetary processes and
20 that it is his job to balance both cost and quality objectives. Mr. Ferrell states that meeting
21 the PSC objectives is the primary goal. That's not the same as balancing, however, which
22 is what Mr. Diamond does.

23
24 The simple fact is that the company budgets establish the primary headcounts needed to
25 provide service and the necessary amounts of preventive maintenance funding to keep

1 trouble loads manageable. The Verizon budget process failed four years running to
2 accomplish this goal. In 1997, Mr. Daks explained to Verizon Headquarters that one of the
3 reasons Florida failed to meet the budget was the use of overly aggressive productivity
4 factors in developing the initial budget. The 1999 budget produced the same result. Florida
5 exceeded its 1999 budget because the budget was inadequate to meet the service needs of
6 Florida customers, and it happened during a year of drought. Public Counsel's concern is
7 not about budgets, whether they were too high or too low, or whether they are overspent or
8 underspent. Our concern is that of resources. If the basic resources to provide good service
9 are not provided through the budgetary process, then the company will fail to meet its
10 obligations to the Florida PSC and the Citizens. That's what happened in 1996, and again
11 in 1997, and again in 1998 and again in 1999.

12 **Q. Was it simply a matter of money?**

13 A. It was all about the money.

14 **Q. Does that conclude your testimony?**

15 A. Yes it does.

16

17

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**DOCKET NO. 991376-TL
CERTIFICATE OF SERVICE**

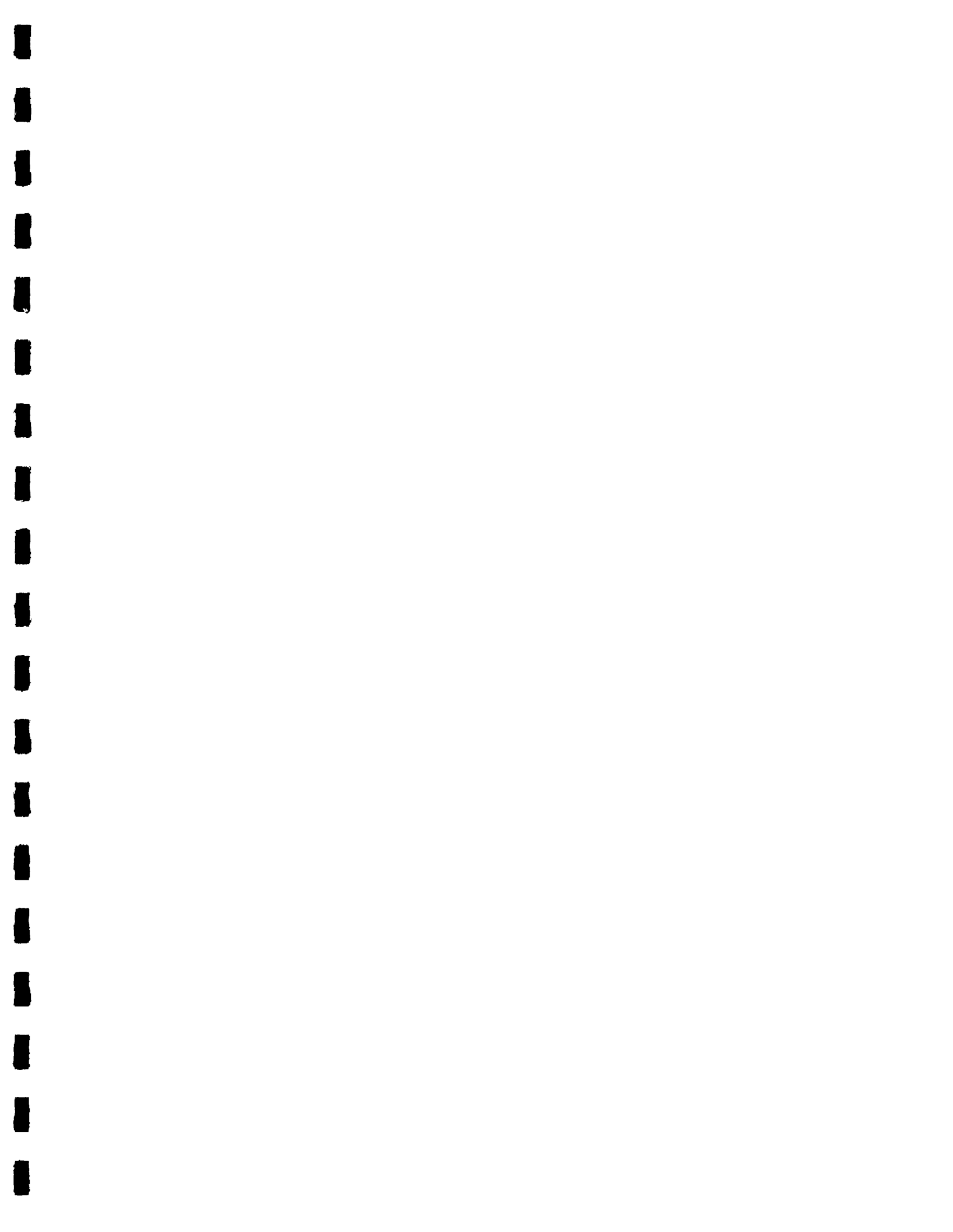
I HEREBY CERTIFY that a copy of the foregoing has been furnished by
U.S. Mail or hand-delivery to the following parties on this 5th day of May, 2001.

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INDEX OF EXHIBITS
SURREBUTTAL TESTIMONY--R.E. POUCHER

DOCKET NO. 991376-TL

EXHIBIT NAME	EXH. NO.	
COST PER LINE REDUCTIONS	<u>REP-22</u>	_____
PSC AUDIT "SPECIAL" PREPARATIONS	<u>REP-23</u>	_____
MARKET SHARE 99.2%	<u>REP-24</u>	_____
PSC RULES - ALL STATES	<u>REP-25</u>	_____
5% OF INSTALLATIONS HAVE TROUBLE	<u>REP-26</u>	_____
PSC MEASURES NOT TO BE TRADED OFF	<u>REP-27</u>	_____
MEETING BUDGETS AND PSC EXPECTATIONS ARE MINIMUM STANDARDS	<u>REP-28</u>	_____
1999 HEADCOUNT BASED ON TARGETS YOU HAVE RECEIVED	<u>REP-29</u>	_____
SERVICE IMPROVEMENT PLAN 1999	<u>REP-30</u>	_____
\$790K OVER BUDGET (5/2/96)	<u>REP-31</u>	_____
FLORIDA CAN ASORB INCREASED DEMAND	<u>REP-32</u>	_____
DAKS REQUEST FOR HELP	<u>REP-33</u>	_____
WE HAVE GOT TO FIND THE DOLLARS TO FIX OUTSIDE PLANT	<u>REP-34</u>	_____
SERVICE ASSURANCE 1/98 RECOMMENDATIONS	<u>REP-35</u>	_____
\$267.4M BUDGET CUT '98	<u>REP-36</u>	_____
REPORTS BEYOND CLEARING CAPACITY OF FORCE	<u>REP-37</u>	_____
FAILING TEST, GTE HAS RULES CHANGED	<u>REP-38</u>	_____
LINES CROSSED FOR PHONE COMPANY	<u>REP-39</u>	_____
VERIZON PROBLEMS MID '99	<u>REP-40</u>	_____

COST CONTROLS -- LESS COMPETITIVE
EXCHANGES

REP-41

PHONE CUSTOMERS STEAMING ABOUT SERVICE

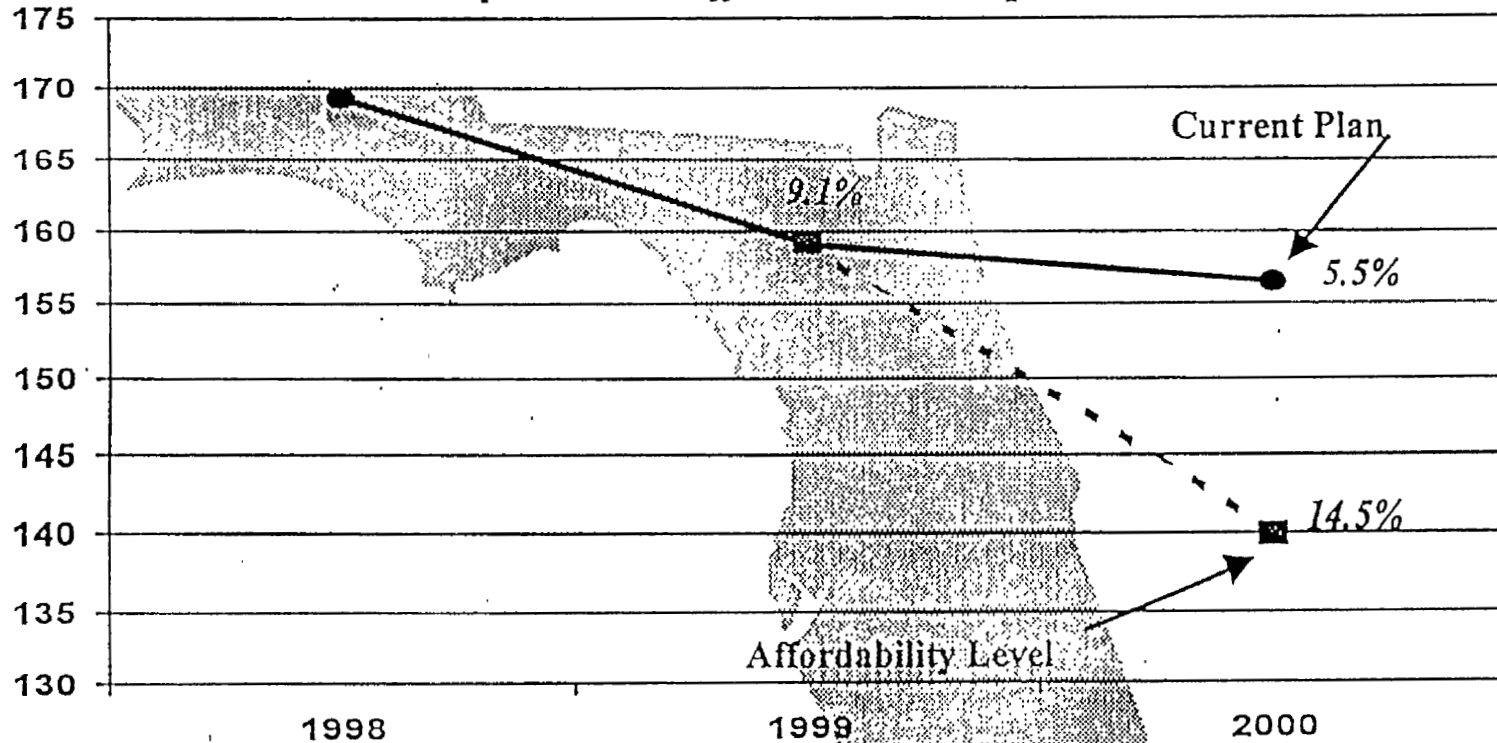
REP-42

Exhibit REP-22
Docket No. 991376-TL

COST PER LINE REDUCTIONS

Y2000 EXPENSE BUDGET

Normalized Expense Trend/Effective Percent Improvement*



*Effective Percent Improvement includes effect of inflation at 3.3%

<u>COST PER LINE ANALYSIS</u>	<u>\$</u>	<u>Forecasted Lines</u>	<u>CPL</u>
1998 Actual Normalized	168,866	3,102	54.44
1999 Projection Normalized	158,414	3,439	46.06
2000 Region Plan	154,621	3,832	40.35
2000 Affordability Level	139,939	3,832	36.52

003814



FLORIDA REGION

CONFIDENTIAL

FLORIDA REGION DIVISION OPERATIONS EXPENSE ACTUALS / COST PER LINE COMPARISONS

		Expense Actuals	Percent of Total	Total Access SEC Lines	Percent of Total	Cost per Line Total Access	Percent of Total
1995 YEAR END							
excludes MICS/TIP							
	INLAND	\$36,265,967	51.68%	1,054,037	46.47%	\$34.41	55.20%
	COASTAL	<u>\$33,908,912</u>	<u>48.32%</u>	<u>1,214,238</u>	<u>53.53%</u>	<u>\$27.93</u>	<u>44.80%</u>
	TOTAL	\$70,174,879	100.00%	2,268,275	100.00%	\$62.33	100.00%
1996 ORIGINAL BUDGET							
	INLAND	\$33,409,229	51.91%	1,097,994	46.31%	\$30.43	55.58%
	COASTAL	<u>\$30,956,268</u>	<u>48.09%</u>	<u>1,273,159</u>	<u>53.69%</u>	<u>\$24.31</u>	<u>44.42%</u>
	TOTAL	\$64,365,497	100.00%	2,371,153	100.00%	\$54.74	100.00%
1996 JULY YTD ACTUALS							
	INLAND	\$22,287,603	53.28%	1,119,498	47.02%	\$19.91	56.23%
	COASTAL	<u>\$19,544,234</u>	<u>46.72%</u>	<u>1,261,393</u>	<u>52.98%</u>	<u>\$15.49</u>	<u>43.77%</u>
	TOTAL	\$41,831,837	100.00%	2,380,891	100.00%	\$35.40	100.00%
1997 PRELIMINARY BUDGET							
	INLAND	\$34,433,125	52.47%	1,268,830	47.91%	\$27.14	54.55%
	COASTAL	<u>\$31,189,094</u>	<u>47.53%</u>	<u>1,379,544</u>	<u>52.09%</u>	<u>\$22.61</u>	<u>45.45%</u>
	TOTAL	\$65,622,219	100.00%	2,648,374	100.00%	\$49.75	100.00%

003791

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Exhibit REP-23
Docket No. 991376-TL

PSC AUDIT "SPECIAL" PREPARATIONS

To: Deborah Kampert@RGA.INDAF@FLTPA, Lonnie Lewis@REGOPS.SVCNTR@FLTPA, Valarie Shreve@REGOPS.OA@TXIR., William Elwood@TCC.EXEC@FLTPA
 From: Dan Carbone@NOS.REGOPSFL@FLTPA
 Cc: Betty Reynolds@CO.OPSVCS@KYLEX, Bret Reelfs@NOS.REGOPSFL@FLTPA, Dan Carbone@NOS.REGOPSFL@FLTPA, Dick Terrell@CO.CUSTCARE@FLTPA, John Ferrell@TCC.EXEC@FLTPA, Larry Yost@TCC.EXEC@FLTPA, Richard Pelham@REGOPS.NETREL@FLTPA, Tony ODonoghue@PUBCOMM.RO@FLTPA
 Subject: 1999 FL PSC Audit - Preparation
 Attachment: PSC AUDIT.DOC, BEYOND.RTF
 Date: 10/18/99 3:15 PM

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GTE FL is scheduled to experience a PSC Audit October 25-29 1999. This audit is to reevaluate the Service Categories that failed to meet FPSC standards in the 1998 Service Evaluation:

Florida Preparation:

Measurements which lost points in 1998 that were specifically addressed on 10/7/99 PSC Notice of Reevaluation letter.

Answer Time/Repair Service, both voice and TDD - per D.R. Smith - Operations Mgr. - CARE on 10/14/99

- * All THC's will be placed on line answering calls.
- * All Coach's scheduled vacation that week will be rescheduled where possible.
- * RMG position will be continuously manned with management employees during our hours of operation (7:00A - 11:00P).
- * All Advocates will be scheduled to work six days that week.
- * Gate 105 (Florida) will be staffed to ensure a minimum of 5 Advocates are available at all times during our hours of operation (7:00A - 11:00P)
- * Online Advocates will be augmented with off-line employees as needed.
- * Tampa RMG will work with CCM to ensure calls are distributed regionally and other Care Centers will utilize overtime to minimize the number of calls routed to Tampa.
- * Tampa RMG will partner with CCM scheduling to ensure maximum overtime is utilized.
- * Tampa RMG will partner with CCM to ensure additional headcount is secured in Garland to handle Florida traffic after Tampa Care closes.
- * Other Care Centers will staff up accordingly so Florida will have adequate coverage to handle all Florida calls.

Toll Billing and Rating Accuracies / Calling Card - per Debby Kampert Specialist - Reg & Govt. Affairs on 10/18/99

GTE FL borrowed the test equipment on Friday 10/15 to conduct some preliminary testing. Gerald Fanning's Network Reliability group conducted some testing over the weekend however some problems were encountered with the test equipment printer tape jamming. The tests are being re-run today 10/18/99. Billing people are standing by waiting on information to be provided to conduct research. It is estimated that preliminary billing tests will be completed by Thursday 10/21/99.

Repair Service (including Rebates) - per Bret Reelfs - Specialist - ROS on 10/18/99

Service Center Administration has pulled all trouble tickets (1428) requested by the PSC. Per October 6, 1999 PSC Audit summary review (see attached) Restored in 24 hours should meet FPSC standards and Restored Same Day would not meet objective. **Note prior summary evaluation pulled results from 1/1/99 to 8/31/99. PSC audit will focus on 4/1/99 to 9/30/99.** I will reevaluate results based on those dates as soon as the information for September is provided to Bret Reelfs. Estimated completion 10/19/99. ROS has reviewed all submissions and extracted all tickets that were coded as Out of Service with clearing times greater than 24 hours. Bret Reelfs will review MSOS and BILLSTAR to verify that proper credit was issued on these 91 accounts. Estimated completion 10/20/99.

Measurements which lost points in 1998 that were not specifically addressed on 10/7/99 PSC Notice of Reevaluation letter.

Adequacy of Directory Assistance - per Betty Reynolds - GM Operator Services on 10/15/99

We are bringing in GTE LD National Directory Assistance the 21st of October. However, there are rumblings

004025

that this could be delayed. If it is I expect that it will be rolled out to our center the following week. This amounts to an additional 10,000 calls per day. We have scheduled based on the projected call volumes. We are hoping we have staffed to the levels we need. Until we actually get the traffic to our office the smoothing of the schedule is a bit unknown. We could have some delays. We have approximately 150 new employees (6 months or less) that always has a learning curve attached to their performance.

We will put extra presence on the floor to ensure efficiencies. I have left a voice mail asking that you outline the issues we are to overcome some we can effectively communicate to management and front line. I don't want any misunderstanding on what our deliverables are.

Information was provided back via fax on 10/15/99 by Bret Reelfs

Public Telephone Service - per Tony O'Donoghue - Public Access Regional Manager on 10/15/99

Bret:

As I stated earlier we have procedures in place which requires that cleaning and routine maintenance be performed on all phones at a location every time a technician visits a phone. We also stagger our collections at any given address in an effort to visit a site more frequently.

In light of the upcoming PSC audit in Southern division I have directed my team to place additional importance on these procedures, not only in Southern division, but throughout the entire region. My coaches will be conducting additional field inspections prior to and during the PSC audit.

If I can be of any further assistance, please let me know.

A.A. "Tony" O'Donoghue

Sincerely,

Bret Reelfs

for

Dan Carbone - Group Manager - FL ROS
813-483-2477
813-204-8856 fax

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MARKET SHARE 99.2%

Network Services Managerial Results - December Key Performance Indicators

	<u>Risk/ Opp</u>	<u>Color Code</u>	<u>YTD Actual</u>	<u>Bud Var Fav/(Unf)</u>	<u>O/L Var Fav/(Unf)</u>	<u>Q4 Outlook</u>	<u>Bud Var Fav/(Unf)</u>	<u>Annual Outlook</u>	<u>Bud Var Fav/(Unf)</u>
Minutes of Use Growth									
Interstate		Green	7.4%	-0.1%	0.0%	8.4%	0.1%	7.4%	-0.1%
Intrastate		Green	17.3%	-4.9%	0.0%	15.3%	-5.1%	17.3%	-4.9%
Total MOU		Green	11.2%	-2.0%	0.0%	11.1%	-2.0%	11.2%	-2.0%
Toll MOU Growth		Yellow	-28.4%	-5.6%	0.0%	-28.0%	-8.0%	-28.4%	-5.6%
Minutes of Use (millions)									
Interstate		Green	52,089	(77)	0	13,361	10	52,089	(77)
Intrastate		Green	35,854	(1,496)	0	9,380	(416)	35,854	(1,496)
Total MOU		Green	87,943	(1,573)	0	22,741	(406)	87,943	(1,573)
Toll MOU		Yellow	6,155	(477)	0	1,338	(148)	6,155	(477)
Market Share - Retail Lines									
Market Share - Retail Lines		Green	99.2%	6.3%	0.0%	99.2%	6.3%	99.2%	6.3%
Market Share - Intralata Toll		Yellow	48.6%	-1.9%	0.8%	47.8%	-2.7%	47.8%	-2.7%
Days Billing Outstanding - Retail									
Days Billing Outstanding - Retail		Green	38.7 *	2.3	2.3	40.5	0.0	40.0	0.0
Days Billing Outstanding - Whisl									
Days Billing Outstanding - Whisl		Green	37.0 *	-2.0	-2.0	34.5	0.0	34.0	0.0
Inventory Turns (GTE Supply)									
Inventory Turns (GTE Supply)		Green	6.0 *	0.0	0.0	6.0	0.0	6.0	0.0

* Inventory turns and DBO are reported for prior month.

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Exhibit REP-25
Docket No. 991376-TL

PSC RULES - ALL STATES

COMPARISON OF SERVICE INDICES
 (svcmatrix.wpd 10/30/98)

Installation	Level of Reporting	Last Revised	Exception Positive Reporting	Primary Service Orders	Regular Service Orders	Commitments Met	Primary Held/DOR's	Regrade Held/DOR's
				Objective	Objective	Objective		
Alabama	State	1993	Exception (N.2)	NA	90%/5 days* S=85%/5 DAYS	90%	>30 days - none	
Arkansas	Exchange	1997	Exception	NA	95%/5 days**	NA	95% w/30 days	
Arizona	NA			90%/5 days		95%		
California	Exchange	1992	Exception (N.2)	NA	NA	85%	>30 days none 31-60 days 5%^ 61-90 days 4%^ 90+ 3%^	
Florida	Exchange	1996	Exception (N.1)	90%/3 days 95%w/30 IBRA 95%w/60 OBRA	NA	95%	>30 days -all >6 mo - all	
Hawaii	State****	1996	Exception (N.2)	90%/3 days basic service	95% /30 days	90%	>30 days none	>30 days none
Idaho	State	1993	Exception	NA	NA	NA		
Illinois	State	1991	Exception	NA	90%/5 days	92%		
Indiana	State	1979	Exception	90%/5 days	95%/30 days	NA	Data availability under develop	90% w/30 days
Iowa	State	1998	Exception	85%/5 days 95%/10 days 100%/15 days	NA	NA		
Kentucky	State/District/ DAC	1997	Exception (N.5)	NA	90%w/5 days	NA		90% comp w/30 days
Michigan	State	1996	Surveillance	NA	NA	90%		
Minnesota	State	1995	Exception	NA	NA	90%		
Missouri	State	1992	Exception	NA	90%/5 days S=85%/5 DAYS	90%		
Nebraska	State	1990	Exception	NA	NA	NA		
Nevada	NA							
N. Carolina	State	1988	Exception (N.2)	NA	90%/5 days	95%	.1% >30 days	1% w/ 30 days
Ohio	State	1997	Exception (N.3)	NA	90% w/5 days (surrogate)	90%		
Oklahoma	Exchange	1998	Exception	NA	95%/4 days	98% residence	> 30 days none	

003966

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State	Level of Reporting	Last Revised	Exception Positive Reporting	Primary Service Orders	Regular Service Orders	Commitments Met	Primary Held/DOR's	Regrade Held/DOR's
Oregon	Wire Center	1996	Exception*	NA	NA	90%		
Pennsylvania	State	1988	Exception	95%/5 days	90%	90%	2 per wire center	
S. Carolina	State	1994	Exception (N.2)	NA	85%/5 days	85%	> 30 days none	>30 days none
Texas	Exchange	1996	Exception	95%/5 days S=85%/5 DAYS	90%/5 days S=85%/5 DAYS	90% S=88%	none	1% of access line
Virginia	State	1993	Surveillance *** (N.2)	90% w/5 days		NA	None	none
Washington	State	1993	Exception *****	NA	99%/90 days	90%w/in 5 business days 99% w/in 90 days	Per 100 Install orders - 0	Per 100 change orders - 0
Wisconsin	State	1998	Exception	NA	Average days to install 2.85	NA		

S =surveillance level Arizona and Nevada have not reporting requirements
 *Residential Service Only **Except for exchanges with less than 2,000 lines (use ave of 3 consecutive months) *** If LEC is >20,000 lines
 ****Actuals are reported by County. ^ Applies to Private Line Alarms only (GO 152)
 *****Washington requires a service performance monitoring report for LECs>50,000 lines to be filed monthly in its rules;
 N.1 Results Reported Quarterly (but not noted in rules)
 N.2 Results Reported Monthly (but not noted in rules)
 N.3 Results Reported After Missing 3 Consecutive Months
 N.4 Results Positively Reported If Carrier under NRF
 N.5 Results reported If exchange misses objective 4 months in a row

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003968

Answer Time

State	Level of Reporting	Last Revised	Exception/ Positive Reporting	Toll Operators	Directory Assistance/ Intercept	Repair	Business Office
				Objective	Objective	Objective	Objective
Alabama	State	1993	Exception (N.2)	10 sec	10 sec ONI 5 sec	90%/20sec	90%/20sec
Arkansas	Exchange	1997	Exception	10 sec	15 sec	20 sec	NA
Arizona	NA			10 sec	10 sec	80% w/20 sec	80% w/20 sec
California		1992	Exception (N.4)	85% w/10 sec	85% w/ 12 sec	80% w/20 sec	80% w/20 sec
Florida	Exchange	1996	Exception (N.1)	90%/30 sec.	95%/15 sec** 95% w/55 sec ***	95%/15 sec** 95%w/55 sec***	95% /15 sec** 85%w/55 sec ***
Hawaii	State	1996	Exception (N.2)	85%/10sec.	85%/10sec	85%/20sec	85%/20sec
Idaho	State	1993	Exception	NA	NA	NA	NA
Illinois	State	1991	Exception	7.0 sec	7.0 sec	NA	NA
Indiana	State	1979	Exception	3.3 sec	7.7 sec	80%/20sec	80%/20sec
Iowa	State	1998	Exception	5.0 sec	5.0 sec	85% w/20 sec	85% w/20sec
Kentucky	State /District	1997	Exception (N.2)	8.0 sec	NA	20.0 sec	NA
Michigan	State	1996	Surveillance	NA	10.0 sec	25.0 sec	NA
Minnesota	State	1995	Exception	95%/10sec	95%/10sec	90%/20sec	90%/20sec
Missouri	State	1992	Exception	2.8 sec S=4 sec	NA	90%/20sec S=85%/20 sec	90%/20sec S=85%/20 sec
Nebraska	State	1990	Exception	2.5 sec	6.3 sec	90%/20sec	90%/20sec
Nevada	NA						
N. Carolina	State	1988	Exception (N.2)	90%/10 sec	85%/10sec	90%/20sec	90%/20sec
Ohio	State	1997	Exception (N.3)	20 sec	20 sec	60 sec	60 sec
Oklahoma	State	1998	Exception	90%/10 sec	85%/10 sec	85%/20 sec	NA
Oregon	State	1996	Exception	90%/10sec	NA	85%/20sec	85%/20sec
Pennsylvania	State	1988	Exception	90%/10 sec	NA	85%	85%/20 sec
S. Carolina	State	1994	Exception (N.2)	90%/10 sec	80%/30 sec	90%/20 sec	90%/20sec

State	Level of Reporting	Last Revised	Exception/ Positive Reporting	Toll Operators	Directory Assistance/ Intercept	Repair	Business Office
Texas	Exchange	1996	Exception	3.3sec	5.9sec	90%/20 sec	90%/20 sec
Virginia	State	1993	Surveillance* (N.2)	90% w/10 sec	85% w/10 sec	85%/20 sec	85%/20 sec
Washington	State	1993	Exception *****	NA	NA	80%/30 sec	NA
Wisconsin	State	1998	Exception	90%/10sec	6.3sec	20 sec	NA

*.If LEC is > 2,000 lines ** w/ VRU *** default to live rep Arizona and Nevada have no reporting requirements

*****Washington requires a service performance monitoring report for LECs>50,000 lines to be filed monthly in its rules

S =surveillance level

- N.1 Results Reported Quarterly (not noted in rules)
- N.2 Results Reported Monthly (not noted in rules)
- N.3 Results Reported After Missing 3 consecutive months
- N.4 Results Positively Reported if Carrier Is under NRF

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003969

Call Completion

State	Level of Reporting	Last Revised	Exception/ Positive Reporting	Dial Tone Delay	Intraoffice Local	EAS/EMS Local Interoffice	Intralata Toll Conn trunks	Dial Service
				Objective	Objective	Objective	Objective	Objective
Alabama	State	1993	Exception	98%/3sec S=95%/3 SEC	95% S=90%	95%	97% S=92%	
Arkansas	Exchange	1997	Exception	95% w/13 sec	90%	95%Inter 94% EAS	97%	
Arizona	NA			98% w/3 sec	98%	98%	98%	98%
California		1992	Exception (N.4)	97.4 w/in 3 sec(no longer reptd since CO's are lectronic)		NA		98%
Florida	Exchange	1996	Exception (N.1)	97% all trnks busy	95%	95%	95%	
Hawaii	State**	1996	Exception (N.2)	98%/3sec	97%	97%	97%	
Idaho	State	1993	Exception	NA	NA	NA	NA	
Illinois	CO	1991	Exception	95%	98%	99%	98%	
Indiana	CO	1979	Exception	95%/3sec & % all trnk busy 97%	95%	95%	92%	
Iowa	State	1998	Exception	98%/3sec	97%	98%	NA	
Kentucky	State/ District	1997	Exception (N.2)	95%/3sec	NA	95%	97%	
Michigan	State	1996	Surveillance	NA	NA	NA	NA	
Minnesota	State	1995	Exception	98%/3sec	97%	95%	NA	
Missouri	State	1992	Exception	97% S=95% w /3 SEC	97% S=94%	96% S=95%	97% S=95%	
Nebraska	State	1990	Exception	98%/3sec	97%	95%	NA	
Nevada	NA							
N. Carolina	State	1988	Exception (N.2)	NA	99%	98%	NA	
Ohio	State	1997	Exception (N.3)	NA	NA	NA	NA	
Oklahoma	State	1998	Exception	95%	90%	95%	97%	
Oregon	State	1996	Exception	98%/3sec	99%	99%	99%	
Pennsylvania	State	1988	Exception	98%/3sec	97%	96%	97% out	

003970

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State	Level of Reporting	Last Revised	Exception/ Positive Reporting	Dial Tone Delay	Intraoffice Local	EAS/EMS Local interoffice	Intralata Toll Conn trunks	Dial Service
							98% in	
S. Carolina	State	1994	Exception (N.2)	98%/3sec	98.5%	97%	NA	
Texas	Exchange	1996	Exception	98%	98%	97%	97%	
Virginia	State	1993	Surveillance* (N.2)	Blk b/low tandem 1/100 attempts	NA	NA	NA	
Washington	State	1993	Exception *****	98%/3sec	98%	NA	NA	
Wisconsin	CO	1998	Exception	98%	97%	97%	95%	

* Based on a Network Performance Index ** Actuals for Dialtone are reported for selected C.O.s and Local Intra & Interoffice call completions are reported by C.O.
 *****Washington requires a service performance monitoring report for LECs>50,000 lines to be filed monthly in its rules; Arizona & Nevada have no reporting requirements

S =surveillance level

- N.1 Results Reported Quarterly (not noted in Rules)
- N.2 Results Reported Monthly (noted in Rules)
- N.3 Results Reported After Missing for 3 consecutive months
- N.4 All NRF companies must positive report results on a monthly basis

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003972

Trouble

State	Level of Reporting	Last Revised	Exception/ Positive Reporting	Trouble Reports /100	Out of Service Clearing Time	Clearing Time Commitments Met	Repair Repeat Reports	Non Out of Service Cleared Trouble
				Objective	Objective	Objective	Objective	Objective
Alabama	State	1993	Exception (N.2)	5.0	90%/24hr	NA	8%	
Arkansas	Exchange	1997	Exception	5.0	95%/24 hr	NA		
Arizona	NA			8.0	85% w/24 hr	85%	none	
California	C.O.	1992	Exception (N.4)	6.0 - alarm rep trbl/100 svc links 8.0	- alarm svc avg time/trbl rpt < 10 hr			alarm svc repair response > 48 hr 5.0% inc NOOS & OOS(GO152)
Florida	Exchange	1996	Surveillance (N.1)	NA	95%/24 hr	95%		95% w/72 hrs
Hawaii	State ***	1996	Exception (N.2)	6.0	95%/24 hr	90%	none	
Idaho	State	1993	Exception	NA	90%/24 hr (16 hrs emergency)	NA		
Illinois	CO	1991	Exception	6.0	95%/24 hr	NA		
Indiana	CO	1979	Exception	10.0	NA	NA		
Iowa	State	1998	Exception	4.0	85%/24 hr 95%/48 hr 100%/72 hr	NA		
Kentucky	State / District	1997	Exception (N.2)	8.0	85% w/ 24 hr	NA		
Michigan	Exchange	1996	Surveillance	6.0	36 hr	NA	none	
Minnesota	State	1995	Exception	6.5	95%/24 hr	NA		
Missouri	State	1992	Exception	8.5 S=10.0	85%/24 hr S=80% / 24 HR	90% S=85%		
Nebraska	Exchange	1990	Exception	6.0	24 hr	NA		
Nevada	NA							
N. Carolina	Exchange	1988	Exception (N.2)	4.75	95%/24 hr	NA	1 per 100Line regular rpt	% pub paysta out/order 10%
Ohio	State	1997	Exception (N.3)	3.0	90% w/24 hr (surrogate)	NA		90% w/72 hr (surrogate)
Oklahoma	Exchange	1998	Exception	7	90% w/24 hr	NA		
Oregon	Wire Center	1996	Exception	2.0	48 hr	NA		
Pennsylvania	State	1988	Exception	5.5	NA	NA		
S. Carolina	Exchange	1994	Exception	7.0*	85% w/ 24 hr	NA		

State	Level of Reporting	Last Revised	Exception/ Positive Reporting	Trouble Reports /100	Out of Service Clearing Time	Clearing Time Commitments Met	Repair Repeat Reports	Non Out of Service Cleared Trouble
			(N.2)					
Texas	Exchange	1996	Exception	6.0	90%/8 hr	NA	22% (res single line)	
Virginia	State	1993	Surveillance (N.2)	6.0 & Network rpts/ 100 lines - .35	NA	NA	16%	- switch performance index 95.5%
Washington	Exchange	1993	Exception *****	4.0	NA	NA		
Wisconsin	CO	1998	Exception	5.0	95%/24 hrs avg time OOS=14.99 hr	NA	14.93%	

* For exchanges < 7,500 access lines. For exchanges >7,500 lines, standard is 5.0. ***Actuals for Trouble Reports Per 100 Lines are reported by C.O. requires a service performance monitoring report for LECs>50,000 lines to be filed monthly in its rules; Arizona & Nevada have no reporting requirements *****Washington

S =surveillance level

- N.1 Results Reported Quarterly (not noted In Rules)
- N.2 Results Reported Monthly (not noted In Rules)
- N.3 Results Reported after missing 3 consecutive months
- N.4 Results are Positively Reported if carrier is under NRF

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PENALTIES

Installation	Primary Service Orders	Regular Service Orders	Commitments Met
Alabama			
Arkansas			
Arizona			
California			
Florida			
Hawaii*			
Idaho			
Illinois			
Indiana			
Iowa	If actuals > 15 days, LEC must provide alternative service. If alternative service not available, NRCs & prorata of the MRC for each add'l day out of service will be credited.		
Kentucky**			
Michigan			Report req if <90% for 3 consecutive months
Minnesota			
Missouri			
Nebraska			
Nevada			
N. Carolina			
Ohio		Credit to customer when not met	
Oklahoma			
Oregon			
Pennsylvania	Investigation if not met for 3 consecutive months		Investigation if not met for 3 consecutive months
S. Carolina			
Texas			
Virginia			
Washington	RCW sec 80.04.380-405 addresses penalties & fines for co & employees for each offense. WUTC must initiate court action. 1 \$1K fine/15 years		
Wisconsin		Productivity Offset if price-regulated utilities do not meet 2.78 days average interval	

*Hawaii - generally the PUC rules state that failure to comply with the standards or otherwise maintain acceptable service levels may constitute grounds for revocation of the carrier's certification.

**Kentucky - Written report if objectives missed 2 consecutive mo at state, district, or DAC level. A written report due if objectives are missed 4 mo at an exchange level.

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PENALTIES

State	Toll Operators	Directory	Repair Service	Business Office
Alabama				
Arkansas				
Arizona				
California				
Florida				
Hawaii*				
Idaho				
Illinois				
Indiana				
Iowa				
Kentucky**				
Michigan			If avg. is >10 secs. for 3 consecutive months	If avg. is >25 secs. for 3 consecutive months
Minnesota				
Missouri				
Nebraska				
Nevada				
N. Carolina				
Ohio	Investigation if >20 sec for 3 consecutive months	Investigation if >20for 3 consecutive months	Investigation if >60for 3 consecutive months	Investigation if >60for 3 consecutive months
Oklahoma				
Oregon				
Pennsylvania	Investigation if >for 3 consecutive months	Investigation if >for 3 consecutive months	Investigation if >for 3 consecutive months	Investigation If >for 3 consecutive months
S. Carolina				
Texas				
Virginia				
Washington				
Wisconsin			Productivity Offset if price-regulated utilities do not meet 20 seconds	

*Hawaii – generally the PUC rules state that failure to comply with the standards or otherwise maintain acceptable service levels may constitute grounds for revocation of the carrier's certification.

**Kentucky - Written report if objectives missed 2 consecutive mo at state, district, or DAC level. A written report due if objectives are missed 4 mo at an exchange level.

PENALTIES

Call Completions

State	Dial Tone Delay	Intraoffice Local	EAS/EMS	IntraLATA Toll
Alabama				
Arizona				
Arkansas				
California				
Florida				
Hawaii*				
Idaho				
Illinois		If <96% for 3 consecutive months	If <96% for 3 consecutive months	If <96% for 3 consecutive months
Indiana				
Iowa				
Kentucky**				
Michigan				
Minnesota				
Missouri				
Nebraska				
Nevada				
N. Carolina				
Ohio				
Oklahoma				
Oregon				
Pennsylv.	Investigation if standards not met for 3 consecutive months	Investigation if standards not met for 3 consecutive months	Investigation if standards not met for 3 consecutive months	Investigation if standards not met for 3 consecutive months
S. Carolina				
Texas				
Virginia				
Washington				
Wisconsin				

*Hawaii - generally the PUC rules state that failure to comply with the standards or otherwise maintain acceptable service levels may constitute grounds for revocation of the carrier's certification.

**Kentucky - Written report if objectives missed 2 consecutive mo at state, district, or DAC level. A written report due if objectives are missed 4 mo at an exchange level.

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PENALTIES

Trouble Reports/Out of Service Clearing Time/Clearing Time

State	Trouble Reports	Out of Service Clearing Time	Clearing Time Commitments Met
Alabama		Refund if OOS > 48 hours	
Arkansas			
Arizona			
California			
Florida			
Hawaii*		Refund if OOS > 24 hours, & in disaster > 48 hours	
Idaho		Refund if OOS > 16 hours (emergency), or refund if OOS > 24 hrs (non-emergency)	
Illinois			
Indiana	Investigation will be held if > 12 per 100 lines	Credit for prorata of the month if OOS > 24 hours	
Iowa			
Kentucky**			
Michigan	Written report if > 6 per 100 lines for 3 consecutive months	Carrier must submit a written report if actuals > 36 hours for 3 consecutive months	
Minnesota			
Missouri			
Nebraska	Plan must be developed if > 8 per 100 lines	Credit for days OOS if > 24 hours & in disasters, > 7 days.	
Nevada			
N. Carolina	NCUC Initiated SPG if service not up to standards Show cause if service get bad enough for \$1000/day/occurrence		
Ohio	Investigation if not met for 3 consecutive months	Credit given when OOS not met.	
Oklahoma			
Oregon			
Pennsylvania	Investigation if not met for 3 consecutive months		
S. Carolina	SPG self imposed penalty if service not up to standards. Show cause if service bad enough for \$500/day/occurrence.		
Texas			
Virginia			
Washington			
Wisconsin	Purposes of computing the increase in productivity offset for price-regulated utilities if higher than 22.61 per 100 lines	Purposes of computing the increase in productivity offset for price-regulated utilities if higher than 15.64 hours	

*Hawaii – generally the PUC rules state that failure to comply with the standards or otherwise maintain acceptable service levels may constitute grounds for revocation of the carrier's certification.

**Kentucky - Written report if objectives missed 2 consecutive mo at state, district, or DAC level. A written report due if objectives are missed 4 mo at an exchange level.

CONFIDENTIAL

5% OF INSTALLATIONS HAVE TROUBLE

NETWORK SERVICES - DECEMBER 1999 RESULTS

CFM % Service Orders with Trouble In 7 Days

REGION	Business (Non-Designed)							Consumer						
	'98 YTD	'98 YE	12/99	'98 3M	'99 YTD	'99 Obj	Fav/(Unf)	'98 YTD	'98 YE	12/99	'99 3M	'99 YTD	'99 Obj	Fav/(Unf)
Florida	7.9	7.9	6.1	6.6	7.3	6.0	(1.3)	6.4	6.4	5.0	5.6	5.3	5.5	0.2

REDACTED

Objective Not Met

U:\STDPXGPP\FULFILL.XLS\Svc_Ord_7Day

Exhibit REP-27
Docket No. 991376-TL

PSC MEASURES NOT TO BE TRADED OFF

To: John Ferrell@TCC.EXEC@FLTPA
From: Red Keith@TEL.EXEC@TXIRV
Cc: Nancy Franklin@TEL.EXEC@TXIRV
Subject: FLA PUC MEASURES
Attachment:
Date: 8/26/99 3:31 PM

Docket No. 991376-TL
Exhibit REP-27
Page 1

follow up!!!!!!
attached

F.J. 9-10-99

CONFIDENTIAL

JOHN,
I HAVEN'T SEEN THE REPORT YET--BUT HAVE ALREADY HEARD FROM JCA THAT FLA. REGION PERFORMANCE IN THIS AREA IS NOT ACCEPTABLE. HE UNDERSTANDS THAT WITH HIGH VOL'S SOME TRADE OFF'S MUST OCCUR, BUT HE EXPLAINED THAT HIS EXPECTATIONS ARE THAT PUC MEASURES ARE NOT THE MEASURES TRADED OFF--HE CONSIDERS THIS TO BE THE BASELINE PERFORMANCE REQUIRED.

PLEASE WORK WITH YOUR TEAM TO IMMEDIATELY IMPLEMENT PLANS TO BRING PUC PERFORMANCE BACK IN LINE. I WILL EXPECT TO HAVE YOU REVIEW WITH VALARIE YOUR TEAMS ACTION PLANS BY SEPT. 2, 1999.

RED

*Valarie -
pse work with
check 2. in your review
of this - Any better
ways of doing this?*

*Red
9/2*

9 pages

003078

Exhibit REP-28
Docket No. 991376-TL

**MEETING BUDGETS AND PSC
EXPECTATIONS ARE MINIMUM STANDARDS**

12-2-99
Briefed Chuck Lee
12-3-99
Briefed Kent Foster

GTE Telephone Operations - World Headquarters
600 Hidden Ridge
Irving, TX 75038

Remote Operations Support
Fax: 972/719-7440

To: Red Keith Date Sent: 12-2
Barry Paulson Time Sent: _____
 _____ # of Pages: 15
 (Excluding Cover Sheet)

From:

	<u>Phone</u>	<u>Mail Code</u>
<input checked="" type="checkbox"/> Valarie Shreve	972/718-3414	HQE04D12
<input type="checkbox"/> Susan Onken	972/718-7432	HQE04D05
<input type="checkbox"/> Ed McGary	972/718-3016	HQE04D03
<input type="checkbox"/> Bobby Morgan	972/718-8175	HQE04D02
<input type="checkbox"/> Lloyd Whitson	972/718-3014	HQE04D04

*****Message*****

12-3-99 7:45am

Red Keith arranged for he and I to speak to John Ferrell, Advisor Mr Ferrell that meeting budgets and PSC standards are minimum expectations & Florida has not done either in 1999. Charly stated that we expect a sharp and sustained positive turn from Mr Ferrell and his team, whom he strongly endorsed and supported during our call. Stressed that results are the key and we'll be watching closely over the next several months.

CONFIDENTIAL

004056

- JCA

Exhibit REP-29
Docket No. 991376-TL

1999 HEADCOUNT BASED ON TARGETS
YOU HAVE RECEIVED

To: Chuck Lindner@BA.NTWKOPS, Gail Lohre@BA.NTWKOPS.CAR, Jerry Newman@BA.NTWKOPS@NCDUR, Jill Hayami@HNL.EXEC@HIHNL, Jim Sporrong@BA.NTWKOPS@WAEVT, John Stajduhar@BA.NTWKOPS@VAMEC, Kathleen Bopp@BA.CENTOPS@MOWEN, Lloyd Whitson@BA.NTWKOPS.CAR, Richard Williams@BA.CENTOPS@INFTW, Russ Diamond@BA.NTWKOPS@FLTPA, Tim Sheehan@BA.CENTOPS@CATOK, William Bess@BA.CENTOPS@OHMAR

Docket No. 991376-
Exhibit REP-29
Page 1

From: Bill Early@BA.NTWKOPS

Cc: Kathy Grant@BA.NTWKOPS, Larissa Alford@BA.NTWKOPS

Bcc:

Subject: re: 1999 Headcount Analysis

Attachment:

Date: 11/30/98 1:20 PM

CONFIDENTIAL

Based on questions I've received, thought it best to further clarify:

The 1999 expense budget you submit on 12/21 should NOT include any checkbook funds from MLK's workcenter. We (at HQ) will upload the checkbook budget into MLK's workcenter, and then distribute funds to you via the outlook process throughout 1999. The purpose in providing you with an approximate allocation of the funds upfront was so that you can size the workforce accordingly. Once again, the funds are being checkbooked due to uncertainty as to where and whether the funds will be required. The allocation I provided is NO GUARANTEE that you will actually receive the funds--since the checkbooking will be activity based. Please let me know if you have further questions. Thanks.

Original text

From: Bill Early@BA.NTWKOPS@TXIRV, on 11/24/98 3:02 PM:
Gang,

A couple of clarifications regarding the headcount report:

- 1) The headcount reported for Dispatch, FAC, VIVID, POI, SPAG, FITS/NSSC, and FOAG should reflect hourly employees only; management employees associated with these functions should be reported in the "management" line item.
- 2) The 1999 budget headcount should reflect what you can afford to staff, based on the targets you've received. As Chuck mentioned on Monday's call, there is program/new service money set aside in Red's workcenter which will be check-booked to the regions, as warranted in 1999. I have attached a worksheet with a guess-estimate of how these dollars may eventually be allocated, for your use in determining staff affordability levels. Note that this is NO GUARANTEE of how dollars will actually be allocated; for example, if the ADSL revenue forecast is lowered (as we hear it will be), the expense dollars will decrease accordingly. You'll note that we did not include the \$11M TSS funds Red is holding, assumption being that this funding is primarily used for contractor additions (not GTE employees).

002722

Exhibit REP-30
Docket No. 991376-TL

SERVICE IMPROVEMENT PLAN 1999

INTERCOMPANY CORRESPONDENCE



GTE Network Services

September 2, 1999

Reply to:

FLTC0100 – Tampa, FL

CONFIDENTIAL

To: M. L. Keith – HQE04E52 – Irving, TX

Subject: FLORIDA REGION PSC SERVICE IMPROVEMENT PLAN

Attached for your review are the Florida PSC service indices currently performing below objective and their associated corrective action plans.

In addition to these plans, the Florida Region team will carry out the following strategies as a guide to accomplishing the Region's long-term success in meeting these service requirements:

- In an effort to meet higher than anticipated seasonal activity, the IP organization will extend its support of customer driven work activity through the remainder of the year or until the need diminishes. IP will add fifty-five (55) contractors to pick up the capital work activity and DOR backlog. Special focus will be placed on getting the Inland Division caught up and moving the default commitment windows to a level that supports the meeting of PSC indices.
- The Region plans to immediately add up to thirty (30) service order contractors, ten (10) in the Coastal Division and twenty (20) in the Inland Division. The budget impact of these additions in 1999 is expected to be \$338K. Initially, the contractors will relieve the need for LG 201's from having to support service order activity and concentrate their time on trouble. Ultimately, the contractors will enable the Region to help meet the seasonal increase in service order demand expected at year end. There are currently twenty-five (25) LG 301 service installer positions in differing phases of being staffed/trained.
- The issue of productivity has been an ongoing concern for the Region. Currently, 12% of the LG 201 and LG 301 workforce (114 technicians) are on performance improvement plans for low productivity or quality. Additionally, during the last several weeks two (2) new reports have been created to help the operations teams quickly identify clearing anomalies as well as multiple completions on the same job.

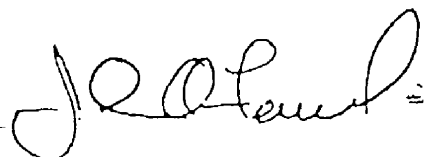
003080

CONFIDENTIAL

M. L. Keith
September 2, 1999
Page 2

- The reduction of unnecessary trips is fundamental to the long-term success of the Region. Admittedly, repeats and no accesses are not where we want them to be. ROS is currently leading an effort to expand the existing chronic repeat program as a means of reducing trips and has implemented the HQ Rework Reduction Plans.

Should you have any questions or concerns, I can be contacted at 813/483-1200 or Dan Carbone at 813/483-2477.



John A. Ferrell
Regional President – Florida

JAF:dml

003081

PSC REQUIREMENTS

CONFIDENTIAL

OOS 24 HOURS

The Florida PSC requires that 95% of OOS troubles be cleared within 24 hours. The Florida Region met this objective for the months of January through May. This objective was not met June through August.

A study identified the top 4 reasons for missed OOS/24:

- CARRYOVER
 - The volume of reports is beyond the clearing capacity of the available workforce. Additional manpower is borrowed from IP and utilized in areas with the highest volumes. Manpower is moved between districts and divisions to assist with high trouble volumes as well.
- NOOS CHANGED TO OOS
 - A job aid has been provided to the field technicians to assist them in making the correct OOS/NOOS decision. Lengthy commitment times during inclement weather may lead to faults deteriorating to an OOS condition.
 - ROS will perform periodic audit to ensure the correct determination of the OOS/NOOS status.
- CARE ERRORS
 - Examples of AWAS/CASS/TAS appointment errors are provided to CARE as coaching opportunities. A CARE system enhancement installed on August 18th will assist in reducing these errors.
- REPAIRS INCOMPLETED BY TECHNICIANS
 - Technicians must contact their coach for authorization to incomplete a repair. Customers should not be left OOS. Technicians have been instructed on the proper method for determining the "cleared" time to be used when clearing reports when the customer's service has been restored but additional activity is required. A study by the Inland DRM in May found that 5% of the missed OOS/24 were attributed to technicians incompleting jobs.

003082

- The region is currently utilizing 9 "tappers" to reduce unnecessary dispatches.
- Perform root cause on misses to identify training opportunities for both CZT and CARE technicians.
- Ensure technicians are picking assignments in accordance with the Assurance and Fulfillment Priority Matrix.
- Actively pursue filling 301 vacancies to increase the number of 301 technicians available to relieve 201's for repair activity. (Currently 25 301 vacancies are in the process of being filled)
- Utilize the "Jobs Dispatched Report" to ensure technicians are utilized on customer demand activity. In August, 92.1% of the first jobs dispatched were on customer demand activity and overall 92.4% of all activity was customer demand.
- Utilize a mechanized timesheet audit to ensure that the technicians are producing the maximum number of jobs per day.
- Closely monitor the TAS default commitments.
- IP will clear bad pair DOR's thus maximizing the number of 201's for repair activity.
- ROS is expanding the repeated report program beyond the current chronic repeat process as a means of reducing overall repeated reports.
- Technician that are identified by the LCOM as not meeting productivity objectives will be coached and their progress monitored. Those that continue to improve to objective will be placed on performance improvement Plans.

CONFIDENTIAL

NOOS 72 HOURS (95%)

The Florida PSC requires that 95% of NOOS troubles be cleared within 72 hours. The Florida Region met this objective for the months of February through May. This objective was not met in January and June through August.

- Hold the TAS defaults to no more than 3 days
- Ensure GM approval before moving the TAS default beyond 72 hours

003084

REPAIR APPOINTMENTS (95%)

The Florida PSC requires that 95% of Repair Appointments be met. The Florida Region met this objective for the months of January through June. This objective was not met in July and August.

- Stress the need to meet all AWAS/CASS/TAS appointments with the technicians.
- Team with CARE to develop realistic levels of CASS appointment capability.
- Provide CARE with examples of AWAS appointments made outside of the CASS appointment system.
- Provide CARE with examples of appointment/commitment errors for coaching opportunities.
- Coach the "tappers" to recognize appointment/commitment irregularities and bring them to the attention of the dispatcher

SERVICE ORDER APPOINTMENTS (95%)

The Florida PSC requires that 95% of Repair Appointments be met. The Florida Region has not met this objective in 1999.

- The overbooking of service order hours to control a specific due date will not be allowed without the specific authorization of the respective ACOM. All overbooking decisions must be accompanied by a field manpower-scheduling plan.
- The Contact Center will perform random audits to assure contact representatives are not overbooking appointments in excess of established parameters. This is a compliance issue, technicians found not to be following the established procedures will be disciplined.
- LCOM's will perform random audits to assure field technicians are correctly applying arrival times on all completed orders.
- ROS will coordinate with NOCV support to rectify an edit queue issue, which incorrectly charges met service orders as missed. An analysis of missed service order commitments by the Coastal DRM determined the impact to be 4% of the Coastal's missed commitments.

I & T ORDERS 3 DAYS (90%)

The Florida PSC requires that 90% of I & T Orders be completed within 3 days. The Florida Region met this objective in January and April through June. This objective was not met in February, March, July or August.

- Fifteen percent of the service order activity has been budgeted to be worked by 201's. The 201's have been pulled to work repair resulting in missed commitments. Manpower borrowed from IP is being used to replace the 201's.
- Reassigned bad pair DOR's to IP for resolution.
- GM approval is required to move due date beyond 3 days.
- Completed orders routed by the system to an "edit" queue and not corrected the same day are being counted as missed commitments and appointments if applicable. An analysis of missed service order commitments by the Coastal DRM determined the impact to be 4% of the Coastal's missed commitments. ROS is actively pursuing this issue with NOCV support.
- Technician that are identified by the LCOM as not meeting productivity objectives will be coached and their progress monitored. Those technicians failing to improve will be placed on performance improvement plans.
- All new primary installations associated with multi-tenant dwelling and track housing will be preinstalled (EDT) by IP.
- Service orders are scheduled and worked in all areas Monday through Saturday.
- Orders requiring more than a 2 step station transfer are referred to IP for resolution.

\$790K OVER BUDGET
(5/2/96)



5-2-96
Advised Pete I would
review and get back
to him by 5-8-96
for one on one discussion

INTRACOMPANY CORRESPONDENCE

Call scheduled
with Dabo
5-6-96
at 3:30pm.
Dabo will call.

GTE Telephone Operations

Asked Leticia to
schedule 30 minutes

May 2, 1996

Reply to
FLTC0100
Tampa, FL

Copy to:
Dave Bowman
Please return original

To: John C. Appel - HQE04E23 - Irving, TX

Subject: 1996 BUDGET

As requested, I have outlined our current position and forecast on our 1996 budget. Through March, Florida Region incurred expense results are unfavorable \$790K. April is looking to overrun as well partially caused by over accruing during bad weather and heavy service activity. We have been taking actions to offset these overruns and mitigate further overruns. Below is a discussion of these items and actions as well as requesting your assistance related to additional line gain. Through these actions, the Florida Region should be below our adjusted target by year-end.

5-3-96
asked Jeff
Miller for
more info
Lester
Contact with
Pete Dabo

The ongoing analysis of our costs has identified two primary areas of additional costs. These are in the form of higher than budgeted units and higher HPU's. A third issue is an increase in prices and an inventory of true up in pole contact rents.

Florida has seen very brisk growth in both switched and special access lines over the past two years. Growth in 1995 was 6.8% and 1996 is currently forecasted at 8%. The budget was originally developed using a targeted line gain of 4.8% and is now forecasted to be up from the then projected 1995 lines by over 9.9%. The current forecast is 115,000 lines over the level used to develop the budget.

This additional opportunity in Florida is causing overruns in both budgeted service order and trouble activity. Included is the extra impact associated with the second line sales. Of course all of this activity is very welcome and will have additional revenues tied to it.

In the productivity area, we have found that a significant portion of the higher HPU's is due to a mix change in the type of activity being performed. For service orders, reductions in field reconnects resulting from EDT are driving the remaining unit average HPU upward and accounts for a majority of the variance. Additionally, second line activity has and will negatively impact average HPU's. Normalizing for the above activity we are improving.

CONFIDENTIAL

003989

Subject 1996 BUDGET
May 2, 1996
Page 2

Repair HPU's are also seeing a mix change through the positive efforts of CARE in reducing dispatches. By saving dispatches generally associated with lower HPU units, the remaining dispatches are at a higher level. The impact of CARE accounts for about one-third of the higher HPU's.

Another impact related to higher repair HPU's is our borrowing of traditionally construction employees for repair work when required. These employees have a higher HPU as is evidenced in the PAL reports. Additionally, we believe some negative impacts are resulting from our high overtime levels and higher supervisory span ratios due to vacancies (in some cases 22-24:1). All of these issues will continue to be focused on the remainder of the year and brought down to appropriate levels. Both February and March results are improving.

Specific actions underway to hold Florida's costs down include: \$ in 000's

* Additional EDT Dispatch Savings (18,000)	365
* Addition of 5 Tappers - 8,100 Dispatches	383
* TAC Focus - 10,000 Troubles (16,336 addressed by June)	473
* Productivity Focus - Repair (Performance Standards)	781
* Transfer Resources from Construction and Backfill with Contractors	724
* Additional Region Stretch	<u>500</u>
Total Actions	\$ 3,226

Based on these actions, Florida Region should be able to get its costs for 1996 down to \$116,206 as summarized on the attachment.

John, we have been making good progress in CFM Trouble, Repeat Reports, and Service Order Trouble in 7 Days as compared to last year and our commitments met for repair have been very good. We have been very active and are frankly disappointed in the savings generated from TAC Focus to date and are developing other action plans to improve our network. All in all, we believe Florida is on the right track in reducing costs and improving service levels.

As we have discussed, we are requesting your assistance in obtaining funding related to additional access line gain (\$3,571), second line sales (\$1,320), and the pole contact cost increase (\$850K).

CONFIDENTIAL

003990

Subject 1996 BUDGET
May 2, 1996
Page 3

We are working toward meeting the original target. Given our current activity we will beat both our original cost per line target of \$42.53 and our adjusted incurred expense target.



Peter A. Dako
Regional President-Florida

PAD:mmm
Attachment

c: Russ Diamond - FLTC0023 - Tampa, FL (w/a)
Jeff Miller - HQW03J53 - Irving, TX (w/a)

CONFIDENTIAL

003991

P. 5

**GTE FLORIDA
1988 INCURRED EXPENSE PLANS
SUMMARY**

Docket No. 991376-T
Exhibit REP-31
Page 4

CURRENT TARGET		
OVERRUNS :		\$111,278
POTENTIAL OVERRUN		
ADDITIONAL EDT (18,000 dispatches)	8,154	
ADDITION OF 5 TAPPERS (8,100 dispatches)	(385)	
TAC FOCUS (10,000 troubles/18,338 addressed by June)	(383)	
PRODUCTIVITY FOCUS - Performance Standards	(473)	
TRANSFER RESOURCES FROM CONSTRUCTION AND BACKFILL WITH CONTRACTORS	(781)	
ADDITIONAL REGION STRETCH	(724)	
TOTAL OVERRUN	(500)	
PROJECTED EXPENSE LEVEL	4,928	
OVERLAYS REQUESTED :		118,208
POLE CONTACTS	850	
SECOND LINES	1,320	
ACCESS LINE GAIN (115K @ \$42.53 less second lines)	3,571	
TOTAL OVERLAYS REQUESTED	8,741	
ADJUSTED TARGET		117,019
NET VARIANCE		813
VARIABLE CPL - TARGET	\$42.53	
PROJECTED VARIABLE CPL	42.20	

CONFIDENTIAL

003992

END

Exhibit REP-32
Docket No. 991376-TL

FLORIDA CAN ASORB INCREASED DEMAND



June 18, 1996

Reply To
HQE04H14
Irving, TX

Docket No. 99137
Exhibit REP-32
Page 1

To: Pete Daks - FLTC0100 - Tampa, FL
Subject: CURRENT PERFORMANCE IN FLORIDA REGION

Thank you for your memo dated June 7, 1996.

I stand corrected on the information in my memo of May 20 relative to service orders with trouble within seven days. Although I indicated that the figures used for that measure were April year to date, I have since learned that the results, for that measure only, were in fact March year to date. As you noted, the Florida Region's performance on residential service orders did improve in April and as of the end of April, was slightly favorable to the region average.

I believe that the other figures and observations in my May 20 memo were accurate.

I hope I have adequately communicated with you and your team.

Successful leadership in today's environment requires strong focus on time-proven fundamentals and aggressive, proactive problem solving. Results are the measure of our success in this regard. Although the Florida region has made progress in a number of areas over the past year, you must agree that the team there is not achieving satisfactory performance in the areas of concern highlighted in my May 20 memo.

The proactivity and velocity of the Florida Region team in dealing with the operational issues with which it has been confronted are key to success. Your ability to absorb above-forecast service order activity and effectively compete this year and beyond will be heavily dependent on the actions you take now and in the near future to deal with the significant number of opportunities within your control.

CONFIDENTIAL

Pete Daks
June 18, 1996
Page 2

Florida is critical to GTE's success. Although we've had niche competition there for some time, the gloves are now off and our response demands positive, aggressive leadership. Our market research tells us that reliable, dependable service is one of the most significant customer decision motivators. The actions we are asking you to take to reduce non-revenue producing work and improve productivity are clearly consistent with successfully competing with Time Warner, AT&T, and the other companies that represent a true competitive threat in our market there.

The resources allocated to Florida in 1996 should be adequate to meet service quality objectives, if the Florida Region vigorously pursues the opportunities we have discussed. It will take hard work and determination, but I am hopeful that you will lead the charge and deliver the difference. Based on our May 22, 1996 ORR and our teleconference of June 14, I have increased confidence that Florida has a well-defined plan to meet its commitments. The measure of success, though, will be your results.

Thank you for your commitment to the achievement of our objectives. I will look forward to your progress.



John C. Appel
Executive Vice President-
Network Operations

JCA:lc

CONFIDENTIAL

003840

Exhibit REP-33
Docket No. 991376-TL

DAKS REQUEST FOR HELP



CONFIDENTIAL

Reoly To

October 22, 1997

FLTC0100
Tampa, FL

To: Eric Kirkland - HQE04B61 - Irving, TX (VIA FACSIMILE)

Subject: 1998 OSP/NETWORK FACILITIES WORK PLANS

Thanks for the opportunity to provide input into the 1998 OSP/Network Facilities Work Plan. Following are suggestions from the Florida Region that we would like for you to consider as you develop the work plans:

- Bad Pair Recovery Program - This is a vital program, but requires funding for start-up. We need a plan to finance the program until payback can be attained through the recovery process.
- TAC Focus - Greater payback periods are required for the replacement of defective cable identified through the TAC process. Increasing the payback window will allow for replacing portions of the cable facilities that are deteriorating. This is a major reason for the failure of FAP's to meet the 365 day objective. Dedicated and funded headcount is needed for proper isolation of FAP's and to provide day-to-day preventive maintenance.
- Completion Testing - Delete those troubles that are closed with a common fault from the database. This will provide a more realistic view of those troubles that should have a VRS completion test.
- Digital Carrier - Standard procedures are required for the deployment of DLC's. Guidelines are needed for the accurate administration of the remote units.

CONFIDENTIAL

- Lead Cable - Sub-standard lead cable prevents us from being able to properly deploy and maintain digital services to some customers. A lead cable replacement program is needed.

Should you require additional information or clarification of the information provided, please contact either myself at 813/483-1200 or Larry Yost at 813/483-2477.



Peter A. Daks
Regional President - Florida

PAD:dml

c: Area Customer Operations Managers - Florida
John Ferrell - HQE04B57 - Irving, TX
Larry Yost - FLTC0777 - Tampa, FL

004806

CONFIDENTIAL

Docket No. 991376-TL
Exhibit REP-33
Page 3

October 22, 1997

Subject: 1998 OSP/NETWORK FACILITIES WORK PLANS

4

c: Area Customer Operations Managers - Florida

R. M. Bass - FLTP1008 - Tampa, FL
N. Buono - FLSP2001 - St. Petersburg, FL
L. Coker - FLSS4069 - Bradenton, FL
S. Daniels - FLLK3002 - Lakeland, FL
W. Fischer - FLTP0076 - Tampa, FL
M. Flynn - FLCW5049 - Tarpon Springs, FL
K. Hayes - FLCW5001 - Clearwater, FL
J. Lane - FLSS4001 - Sarasota, FL
F. Perez - FLLK3001 - Lakeland, FL
R. Shell - FLTP0209 - Tampa, FL

c: General Managers - FLA-Inland/Coastal

T. Docherty - FLTC1007 - Tampa, FL
C. Monaghan - FLTC0008 - Tampa, FL

004807

WE HAVE GOT TO FIND THE
DOLLARS TO FIX OUTSIDE PLANT



INTRACOMPANY CORRESPONDENCE

GTE Telephone Operations

Reply To

FLTC0100
Tampa, FL

January 7, 1998

To: M. L. Keith - HQEO4B51 - Irving, TX

Subject: FLORIDA SERVICE EMERGENCIES UPDATE

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

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

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

000117

M. L. Keith
January 7, 1998
Page 2

Subject: FLORIDA SERVICE EMERGENCIES UPDATE

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

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

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

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

I'll keep you posted.

Peter A. Daks
Regional President-Florida

PAD:bam
Attachment

000113

Exhibit REP-35
Docket No. 991376-TL

SERVICE ASSURANCE 1/98 RECOMMENDATIONS

January 28, 1998

To: Woodrow W. Williams - HQB10C41 - Irving, Texas

Subject: FLORIDA REGION OSP ISSUES

Below, you will find a list of the issues, findings and recommendations made by the Service Assurance team during two separate field visits to the Florida Region. The first visit was made in May of 1997, and the second visit just occurred this month.

Also included below, are the comments shared with the Region senior management team after the first visit. This information is listed under the Florida Internal review section of this memo.

Several of the issues are highlighted in bold print, and they represent some the more critical issues that must be resolved immediately.

May 1997 Review

Issue - Increased trouble activity during bad weather.

Findings:

OSP trouble increased approximately 50% during the week of recent rains over the previous week with rain.

38 central offices were identified as having a higher OSP trouble activity percentage than the region average during this time period.

The disposition codes of CPE and Excludes were the highest percentage of trouble activity during the rains. NSW (04) was third at 17.9% followed by OSP (06) at 15.7%.

Recommendations:

OSP trouble - FAPS identified through TAC Focus should be worked ASAP.

15 of the 38 exchanges identified as having higher OSP trouble during rainy weather should be targeted for Quickseal opportunities.

Further analyzation of disposition sub codes needs to be done to help determine the root cause of why certain areas have a higher percentage of the trouble than the Regional average. A review of

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the analyzation of these sub codes needs to be done. They should look for opportunities to correct the discrepancies in the CPE and Exclude codes with an eye towards recent recommendations targeted at No Access and CPE codes that might have been billing opportunities.

Issue - Analysis of the high rejection rate for FAPs

Findings:

Most of the isolators are doing an excellent job of determining the cause of the trouble and the solutions needed. **However, there is a lack of understanding at this level of the process of funding and payback.**

When proper recommendations for correction from the isolators are made, the engineering and OP organization are re-engineering the plant for large scale replacement using capital dollars. When the engineering doesn't meet payback, there is a lack of communications with the local isolators to ensure that only the trouble causing portions of plant have been addressed.

When the FAP is determined not to meet payback with this redesign, it is being funded unnecessarily on capital and worked on work orders.

The amount of splicing hours needed as determined by engineering appear to be extremely excessive.

The cost of splicing hours are open as seen on the FAPs noted as NCE was listed as \$44 per hour. This seems excessive. An average of approximately \$22 per hour incurred labor rate should be used for company personnel to do the job. If the SSP contract is the reference price, this would still seem excessive.

Recommendations"

Establish TAC isolators for each area utilizing existing personnel at this time. These individuals then need to be trained in the following: TAC Focus TAP identification process, Expectations of the isolators, i.e., determining the priority areas for trouble reduction. These isolators need to have the test gear that will allow them to identify water in sections of air core cable instead of assuming (as it is now) that all air core has water in it and needs to be replaced. The isolators must be thoroughly trained in this test gear. Most vendors will conduct on-site training sessions free of charge on this function. The following-would allow the isolators to know what can be accomplished with the funds available and target these issues:

- The cost to rehab each terminal
- The cost per foot of cable replacement
- The money available based on a three year payback

Examine how IP personnel determine the amount of labor hours needed and the cost of these and communicate this to the isolators.

If using loaded labor rate for work performed, this is incorrect. Incurred labor rate for work performed and loaded labor rate for savings realized (perhaps BA could assist in this education).

There is an option to use company personnel when the cost is less. Even with overtime rates, the total dollars spent would be considerably less and would be funded through TAC Focus so it would not negatively impact Region budgets.

Communication between IP and Customer Operations needs to be improved for the purpose of determining ongoing or planned work order activity and how it relates to FAP activity.

There is an opportunity to combine these funds to minimize the impact on both budgets and maximize the efficiency of the work performed.

IP's design process should be halted immediately if it does not meet payback. A joint review should be done with Customer Operations to ensure only the trouble portions of the plant are being addressed before being returned as NCE.

Issue: Cables previously identified as needing replacement, being replace on "C" budget but order closed before "M" or "X" time completed.

Findings:

In the Winter Haven area, there was a situation where two (2) 50 pair cables were bad and had been replaced by a 100 pair cable. The cable was placed over a year ago, but has not been cut around due to no "M" or "X" beget money.

Recommendations:

All work order associated with working cable and/or that have "M" or "X" time involved need to be reviewed and accepted by the Local Manager before closing.

Florida region Internal Analysis

Florida has the highest NCE rate in the nation at 27%

Isolators doing excellent job of determining the cause of the trouble

need better understanding of funding process
need to identify minimal expense in order to meet payback
test results required to determine water damage

Unnecessary expense being added by Engineering, i.e.,

aerial cable being replaced with buried
stubs replaced when new PEDS and wire work requested

Internal Recommendations:

Utilize a core group of isolators to be trained in all aspects of TAC Focus, especially the funding and payback process

Realize funding is only available for work required - not the "nice" to have

Engineer replacement only as requested on FAP

January 1997 Review

Process Issues:

Clearing code misinterpretation and misuse

OSP Clearing scree information lacking or incorrect

Lack of understanding of the TAC Focus process

Delay in the turn around time on issued FAPs

H.P.U. push overriding the need for quality

Technicians leaving problems with splices, terminals and protectors causing problems later.

Frustration in field about lack of action on identified FAPs and FIFs/UPCs

Plant design not allowing for cost effective maintainable network (i.e., distribution box feeding another distribution box due to lack of office count creating incorrect patterns in count from TAC Focus, SOD Box construction has no access points at the ends for trouble isolation.)

Locating of cables, involved in on-going road moves, being performed on the initial call and then left alone. No constant watch to prevent outages.

High volume of buried drop trouble. No locating of buried drops and no billing on drops which will provide recouped cost and be a deterrent for future offenders.

Older workforce being in a position to leave in the next few years without competent trained

personnel available to take over.

No dedicated workforce for preventive maintenance activity.

Technical Issues:

Fault location expertise is in need of improvement

4TEL not being used across the board for trouble isolation slowing clearing times.

Bonding and grounding specifications are not understood at the technician level.

The recommendations made from the second visit are outlined in the Trouble Reduction Plan. We are continuing to provide staff assistance to help resolve some these issues. However, I believe many of these must be addressed and resolved by the Region management team. Please let me know if you require any additional information, or if you have any recommendations for the next steps.

Eric D. Kirkland
Manage-OSP/Network Facilities Support
Service Assurance

\$267.4M BUDGET CUT '98

INTRACOMPANY CORRESPONDENCE



GTE Network Services

November 7, 1997

Reply to:
HQE04H14 - Irving, TX

To: Larry Henry - HQA02L02 - Irving, TX
Red Keith - HQE04B52 - Irving, TX
Brad Krall - HQE04G28 - Irving, TX
Rob McCoy - HQI08A23 - Irving, TX
Barry Paulson - HQE04E04 - Irving, TX
Larry Sparrow - HQE04E57 - Irving, TX

Subject 1998 REVENUE AND INCURRED EXPENSE TARGETS

With your help, we have settled on 1998 revenue and expense targets for Network Services, subject to final review and approval or modification by the Office of the Chairman (OOC).

Although not final until approved by the OOC, I am issuing the targets now so you can set your plans during the remainder of this year and hopefully get a fast start on 1998.

The revenue targets will be \$9,185M for Retail Markets and \$4,543M for Wholesale Markets. These have not changed substantially from what had been previously reviewed with Rob and Larry. We will accomplish these revenue goals while reducing total Network Services incurred expense by \$267.4M and improving our quality/customer satisfaction performance. (Quality will be discussed at greater length in our upcoming planning session.)

Our plan is very aggressive on all fronts, but achieving these results is critical to GTE's success in the marketplace.

As you know, our work on demand based planning is still in progress. We will continue to manage using incurred expense targets and reports until demand based planning is fully implemented and margin targets are established.

A breakdown of the incurred expense targets is attached, along with a list of the business cases and development and enhancement projects currently approved for 1998. Your BA representative has the supporting detail for the expense goals, as well as a list of expense reduction opportunities identified by our process teams.

003455

L. Henry, R. Keith, B. Krall, et.al.
November 7, 1997
Page 2

Please note that a total of approximately \$56M of expense has been temporarily withheld from Retail and Wholesale expense budgets pending development of a mechanism for fairly distributing the dollars based on the velocity of retail to wholesale erosion. Rob, Larry and their staffs are working with BA to jointly resolve a reasonable approach.

In summary, 1998 will be a challenging year. However, I am confident that with strong leadership focus on the fundamentals, the right set of measurements and associated incentives, and world-class teamwork, we will be successful.

If you have any questions regarding these targets, please contact your BA representative, or Doug Wilder at 972/718-3325.



John C. Appel
President
GTE Network Services

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JCA:lc
Attachment

c: Distribution List

003456

Incurred Expense Targets - Operations
(Thousands)

1/10/97

Region/Dept	1998 Baseline	Prelim Adj to Baseline	1998 Baseline	Inflation	Growth	Enablers	1998 Baseline	Variable	% Reduct	\$ Impact	Recomd Target	Adj for CPL	Final Target	Target as % of '98 Baseline
California														
Florida	140,232	6,000	147,032	3,951	2,668	(3,607)	160,044	140,917	-0.74%	(13,726)	136,310	2,800	139,110	94.61%
Hawaii														
Midwest														
North														
Northeast														
Northwest														
South														
Texas														
Virginia														
Sr Vice Pres														
Total Regions														

1997 Budget Development

Region/Dept	1997 Baseline	Inflation	Growth	1998 Baseline	Enablers	% Reduct	Fixed Costs	Norm % Reduct	Floor/ Ceiling \$ Impact	Adj for % of Baseline	Final Target	Target as % of '97 Baseline
California												
Florida	141,839	3,811	8,012	160,062	(8,611)	-6.7%	8,862	-0.1%	840	0	146,869	102.72%
Hawaii												
Midwest												
North												
Northeast												
Northwest												
South												
Texas												
Virginia												
Sr Vice Pres												
Total Regions												

REDACTED

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Docket No. 991376-TL
Exhibit REP-36
Page 3

002537

④ Reflects moving CC to Red's growth and truing-up Red's WC for the Δ (ie., no stretch reduction on the

FLORIDA REGION
1999 Incurred Expense Budget
Recap

1999 Target Development

- 1998 Baseline	\$147,032
- Inflation	\$3,951
- Growth	\$2,568
- Adjustments	\$3,047
- Enablers	(\$3,507)
- Stretch	(\$13,725)
- 1999 Target	\$139,366
- Total Reduction	\$7,666
- % Reduction	5.5%

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Reduction Actions

- '98 Overrun above baseline additions	\$11,334
- S.O. Dispatch reduction (14K Units)	(750)
- Trouble Dispatch reduction (57K Units)	(2,565)
- Repair Productivity Improvement (1.99 to 1.8)	(2,684)
- S.O. Productivity Improvement (2.31 to 2.16)	(1,290)
- Pole Contact Inventory	811
- Central Office Maint Efficiencies	(764)
- Double Time Reductions	(1,100)
- Sunday/Holiday Coverage	(500)
- Preventive Maintenance Reduction	(1,026)
- Meeting/Training	(1,106)
- Unidentified Improvements	(14,085)
Total Net Reductions	(\$13,725)

I added to 11/17

Employee Levels

Occ/Hrly. Dec '99 Budget	2,920	Mgmt: Dec '99 Budget	549
Dec '98 Actual	<u>2,971</u>	Dec '98 Actual	<u>539</u>
Under/(Over)	(51)	Under/(Over)	10

(Include LG 011, 021, 101, 111, 121, 201, 211, 221, 241, 261, 301, 341, Non-Occ.Hrly, Mgmt.)

Overtime Levels

Average Annual Rate:	(A) <u>1998 Budget</u>	(B) <u>1998 Actual</u> (thru Nov)	(C) <u>1999 Budget</u>	(C-B) <u>Inc/(Dec)</u>
LG 101 COE	4.0%	5.1%	5.0%	-0.1%
LG 111 Cable Placer	8.0%	10.6%	5.0%	-5.6%
LG 121 Cable Splicer	10.0%	12.7%	5.0%	-7.7%
LG 201 I&R	10.4%	31.2%	11.8%	-19.4%
LG 211 Switching Tech	3.1%	11.0%	7.4%	-3.6%
LG 221 Business Tech I	10.4%	13.8%	8.0%	-5.8%
LG 241 Assignment Tech	8.8%	23.8%	10.6%	-13.3%
LG 261 Data/OS Tech	18.0%	24.8%	16.4%	-8.5%
LG 301 Service Installers	10.3%	16.6%	11.8%	-4.8%
LG 341 Business Tech II	10.3%	18.8%	9.7%	-9.1%

2/1/99

FLORIDA REGION 1999 Incurred Expense Budget Recap

Docket No. 991376-TL
Exhibit REP-36
Page 5

Productivity Levels

	(A) 1998 Actual	(B) '98 Normalized	(C) 1999 Budget	(C-B) Inc/(Dec)	% Change	\$ Impact (@ \$50 per)
Service Order HPU	2.31	2.31	2.16	-0.15	-6.7%	
Repair HPU	1.99	1.99	1.80	-0.19	-9.4%	
Dispatches (MAPPS):						
Service Orders (OPMS code SON11)	356,640					
Note: SON11 contains only buckets 1 & 2 for LG's 201/209/301						
Service Orders (Buckets 1 - 4)	357,556	357,556	343,910	(13,646)	-3.8%	(\$682,300)
Repair (Buckets 5 -8)	636,959	574,959	565,012	(9,947)	-1.7%	
Note: LG's 201/209/301 only						
Repair (Buckets 5 -8) - All LG's	724,700					
Dispatches (TAS):						
Repair (OPMS code TAS411G)	821,615	741,641	728,812	(12,829)	-1.7%	(\$641,450)

Key Issues/Risks/Assumptions/Comments/Etc.

- Florida Region is actively seeking additional improvement opportunities to achieve the assigned target. The budgeted activity and employee count noted above, is based on a budget with an unidentified gap of \$14.1M.
- Total dispatched units that are at risk associated with the budget gap is in excess of 147,000 residential units.
- Overtime/Contractor levels may be greater than budgeted due to delays in staffing.
- Trouble Activity Reductions are based on the assumption the weather will be "normal" for Florida.
- Florida will have the Provisioning Business Case approved in the amount of \$2,733K to support the current Capital reduction.
- Any additional access line gain will have associated overlays.
- Any new business support activities and/or new products will be funded with budget overlays.
- Florida's 1998 Normalized Spending level of \$165.5M is effectively reduced by \$16M to get to Florida Regions current planned spending level of \$153.5M which includes the impact of inflation at \$4M.

Summary

Given the current action plans/enablers developed by either HQ and/or the region, Florida has been unable to close this \$14.1M gap. The Region continues to seek additional cost reductions enablers/process improvements which are balanced with service levels.

Exhibit REP-37
Docket No. 991376-TL

REPORTS BEYOND CLEARING CAPACITY OF FORCE

PSC REQUIREMENTS

Docket No. 991376-TL
Exhibit REP-37
Page 1

CONFIDENTIAL

OOS 24 HOURS

The Florida PSC requires that 95% of OOS troubles be cleared within 24 hours. The Florida Region met this objective for the months of January through May. This objective was not met June through August.

A study identified the top 4 reasons for missed OOS/24

- CARRYOVER
 - The volume of reports is beyond the clearing capacity of the available workforce. Additional manpower is borrowed from IP and utilized in areas with the highest volumes. Manpower is moved between districts and divisions to assist with high trouble volumes as well.
- NOOS CHANGED TO OOS
 - A job aid has been provided to the field technicians to assist them in making the correct OOS/NOOS decision. Lengthy commitment times during inclement weather may lead to faults deteriorating to an OOS condition.
 - ROS will perform periodic audit to ensure the correct determination of the OOS/NOOS status.
- CARE ERRORS
 - Examples of AWAS/CASS/TAS appointment errors are provided to CARE as coaching opportunities. A CARE system enhancement installed on August 18th will assist in reducing these errors.
- REPAIRS INCOMPLETED BY TECHNICIANS
 - Technicians must contact their coach for authorization to incomplete a repair. Customers should not be left OOS. Technicians have been instructed on the proper method for determining the "cleared" time to be used when clearing reports when the customer's service has been restored but additional activity is required. A study by the Inland DRM in May found that 5% of the missed OOS/24 were attributed to technicians incompleting jobs.

0:00088

Exhibit REP-38
Docket No. 991376-TL

FAILING TEST, GTE HAS RULES CHANGED

June 3, 1999

Docket No. 991376-TL
Exhibit REP-38
Page 1

Failing test, GTE has rules changed

By JO BECKER

Section: CITY & STATE; METRO & STATE; TAMPA & STATE
Edition: 0 SOUTH PINELLAS
Page: 1B; 1B; 1B
Estimated Printed Pages: 4

Index Terms:

business report state change consumer

Article Text:

TALLAHASSEE - After quality reports point out deficiencies, the bay area's largest phone provider persuades the state to change report card procedures.

For two of the past three years, the Tampa Bay area's largest local phone company has received failing grades on state quality reports that evaluate everything from billing accuracy to the timeliness of installations and repairs.

But upon receiving its second failing grade this year, GTE-Florida Inc. did something schoolchildren can only dream about: It persuaded state regulators to change the way they compute phone companies' report cards. Under the new system, GTE is expected to pass with flying colors.

GTE, the state's second-largest local phone service provider, is not alone in its failure to meet the state's minimal quality standards. BellSouth, the state's largest local phone service provider, has failed in each of the past three years.

Sprint, the third-largest local phone service provider, failed miserably in 1996, was not graded the following year, and passed last year.

Depending on whom you talk to, the failing grades are the result of an unfair grading system or the predictable fallout from a 1995 decision by state lawmakers to deregulate the telephone industry.

Before 1996, the state's **Public Service Commission** could use the service report cards to deny rate increases to companies with poor grades. But with deregulation, the **Public Service Commission** no longer has the authority to regulate phone rates. consumers before the PSC. "Now, they don't give a rat, and they don't give a rat because the **Public Service Commission** is letting them get away with it."

But GTE officials argue that deregulation is the best way to ensure customers receive good service. That's because deregulation is expected to lead to more competition, though

the big three companies still control more than 90 percent of the local phone service market in Florida.

"I'm going to have customers who have a choice, so I want to provide excellent service," said Beverly Menard, GTE's assistant vice president of regulation. "The company takes these reports very seriously."

Some companies went further than GTE in seeking changes in the grading system. BellSouth wanted to scrap the system altogether.

The reports, which are based on test calls made by PSC staff, evaluate local phone companies' service in 75 categories. Companies receive overall scores from zero to 100, with 75 being the minimal to pass.

Although the PSC no longer uses the reports to set phone rates, it can fine companies up to \$25,000 a day for each quality of service rule they violate. But that has not been done.

"For some reason, it never happens," said Charlie Beck, of the Public Counsel's Office, which represents consumers before the PSC. "You could argue that it is cost-beneficial for the companies not to deal with their problems."

Phone companies such as GTE complain that the reports do not accurately represent customer satisfaction. That's because failing in one category can cause a company to fail overall.

In GTE's case, its primary shortcoming stemmed from the way it bills consumers who use phone cards. The PSC staff found that some customers were being charged for more call time than they should have been.

GTE blamed a computer glitch for the overbilling. It is unclear how many customers may have been affected by the problem, but GTE officials estimate that it affected much less than 1 percent of all long distance calls.

The company's officials said they are working on the problem and will give rebates to affected customers. The company estimates that the total amount of rebates due is under \$2,000.

GTE argued that the problem was given too much weight in the grading system; calling card calls make up less than 1 percent of the company's monthly calls. But the PSC lumps calling card calls and direct dial calls into the same category, giving each equal weight and then assigning a grade.

Though that system has been in place since 1993, PSC staff members agreed with GTE and plan to rewrite the rule and regrade all the companies. Only GTE's grade is expected to be affected.

GTE has fared poorly in nationwide customer satisfaction surveys, as well. J.D. Power and Associates, a market-research firm that surveyed more than 14,000 customers around the

country last year, gave low ratings to GTE Corp. in 1998 and two previous years. By contrast, BellSouth Corp. ranked No. 1.

GTE - which is in the middle of a merger with Bell Atlantic - has a seven-county service area in Florida that includes Pinellas, Hillsborough and Pasco counties. BellSouth - which wanted to scrap the grading system altogether - provides service in Hernando County.

William Talbott, executive director of the PSC, said the agency's staff has not recommended fining companies that have repeatedly failed to meet standards because the steps are time consuming. Instead, Talbott said, the commission has focused on fining companies that switch customers' phone service without consent or add services without authorization.

"They have limited resources and they have concentrated on levying fines in areas where there were bigger problems or more money involved," Talbott said. "It's a matter of priorities."

This year's reports were scheduled to be discussed by the Public Service commissioners once during the legislative session and again in May, but the discussions were postponed amid the phone company's lobbying campaign to change the grading system. Talbott said he will not ask the commissioners to vote to okay that decision unless they make that request.

Phone service quality

These are the quality of service grades the state gave the state's three largest local phone service providers over the last three years. The lowest score is 0, the highest is 100. A passing grade is 75. GTE is the Tampa Bay area's largest provider, though BellSouth serves portions of the North Suncoast.

BellSouth GTE Sprint

1996 76 32 0

1997 70 76.2 ++

1998 54 67.4+ 77

+ After a change in the way grades are calculated, GTE is expected to pass with an 84.8.

++ Sprint was not graded in 1997 due to problems in service created by Hurricane Andrew.

Source: Public Service Commission

Caption:

quality of service grades the state gave the three largest local phone service providers over the past three years with drawing of a ringing telephone

Exhibit REP-39
Docket No. 991376-TL

LINES CROSSED FOR PHONE COMPANY

June 7, 1999

Docket No 991376-TL
Exhibit REP-39
Page 1

Series: EDITORIALS

Lines crossed for phone companySection: EDITORIAL
Edition: 0 SOUTH PINELLAS
Page: 10A
Estimated Printed Pages: 2*Index Terms:*
EDITORIAL

Article Text:

You can't knock GTE for its creativity.

But lobbyists for Tampa Bay's local telephone monopoly aren't playing fair, and state regulators shouldn't let them get away with it.

Along with Florida's other two big local phone monopolies, BellSouth and Sprint, GTE Corp. has earned failing grades in recent customer service evaluations. But instead of just trying to fix the problems, GTE found a new and clever solution - change the rules.

That may work in pingpong or playground basketball, but it isn't right when hundreds of thousands of consumers stand to lose.

In this case, GTE's problems centered on a billing error that overcharged some customers for calls placed with calling cards.

The company maintains that the problem was merely a computer glitch, that not many customers were affected, and that such a small error alone (about 1,000 calls a month totaling just \$2,000) should not prompt an embarrassing "F."

GTE executives complained the evaluation was too strict.

So they took their complaint quietly to **Public Service Commission** staffers, who in turn changed the rules. Instead of a failing 67.7 out of 100 (75 is the minimum to pass), the company suddenly earned an 84.8. Voila!

But if the PSC lets this stand, what's next? Saying it's okay for technicians to make customers wait five days before fixing their lines? Giving the company a break when its 411 operators consistently give wrong numbers?

GTE does not have the most stellar track record. The company didn't get good marks for its service call answer time this year, and last year it barely passed overall. In 1996, **GTE**

got a miserable 31.9.

The PSC and its staff, meanwhile, has a history of cozying up to the industries it supposedly oversees.

In 1993, for example, Commissioner Tom Beard stepped down amid revelations about his relationship with a Southern Bell manager, whom he later married, and his friendships with Bell executives.

In 1997, the agency was criticized when it was revealed that a staff lawyer who had advised the agency to let Florida Power Corp. raise rates was engaged to marry a company manager who worked on the application.

Since the Legislature deregulated the state's local telephone companies in 1995, consumers have been left with little protection from these monopolies.

The **Public Service Commission** now has minimal power over the industry, but the evaluation reports are one important remaining tool to keep the companies accountable.

The PSC staff erred in delaying the official release of the latest evaluations to give GTE a chance to change the rules. Instead of complying with the company, the commission should go the other direction: Make the reports more accessible than ever, even post them on the Internet.

Record Number: 9906076257860760772361

[E-Mail](#) [Text Only Display](#) [List](#) [Previous](#) [Next](#)

Exhibit REP-40
Docket No. 991376-TL

VERIZON PROBLEMS MID '99



001912

▶ Labor

- Culture That Does Not Support Change
- Partnership That Is Not Supported by Union Leadership
- Inflexible Work Rules with CZT and BZT
- Bargaining Issues

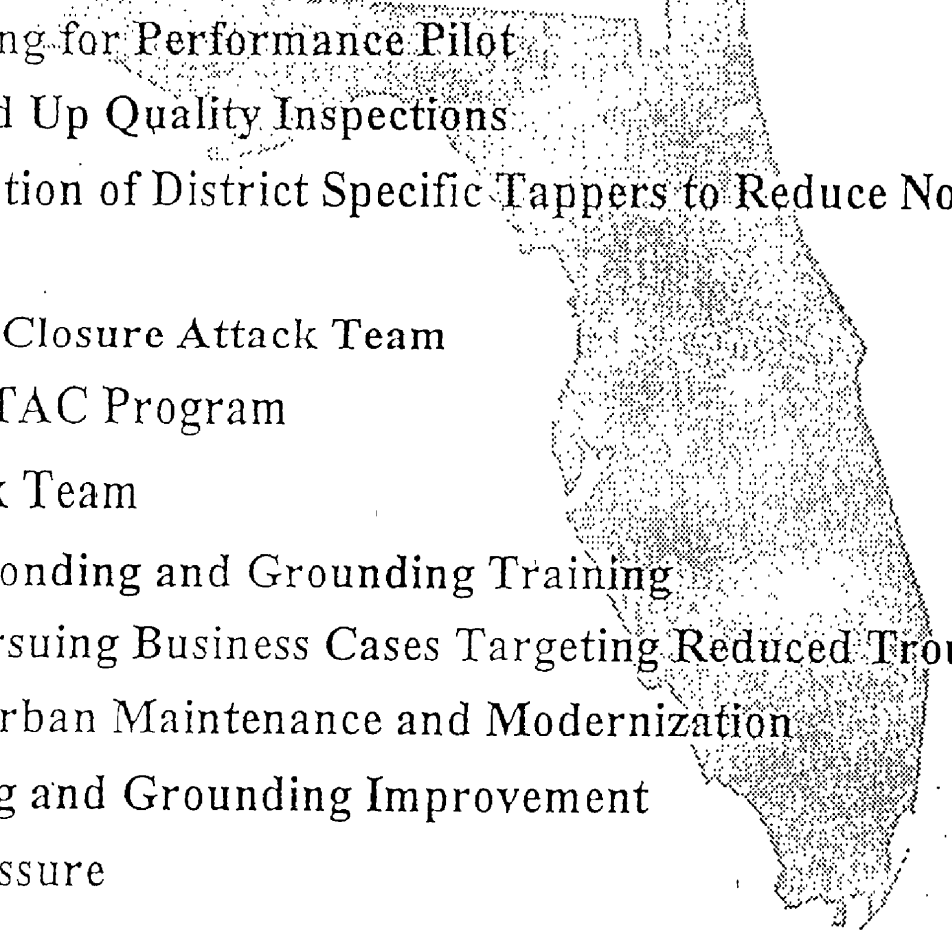
▶ Mature and Growing Competitive Market

- Direct Bypass by 14 Facility Based CLECs
- Growing Cable Modem Market Hampering ADSL Sales and Replacing 2nd Lines
- Reduction of Capital Due To Net Line Gain Formulas

▶ OSP Condition and Modernization

- High Trouble Volumes
- Poor Quality in Previous Construction and Repair
- Significant Bonding and Grounding Issue, including HDSL Grounding Issues
- Maintenance Required on DLCs



- ▶ Implementation of Job Specific Standards of Performance
 - ▶ Coaching for Performance Pilot
 - ▶ Stepped Up Quality Inspections
 - ▶ Implementation of District Specific Tappers to Reduce Non-Productive Dispatches
 - ▶ Temporary Closure Attack Team
 - ▶ Aggressive TAC Program
 - ▶ DMS Attack Team
 - ▶ Employee Bonding and Grounding Training
 - ▶ Actively Pursuing Business Cases Targeting Reduced Trouble
 - ▶ DMS Urban Maintenance and Modernization
 - ▶ Bonding and Grounding Improvement
 - ▶ Air Pressure
- 
- A faint, dotted map of the state of Florida is overlaid on the right side of the page, partially behind the list of initiatives.

COST CONTROLS -- LESS COMPETITIVE EXCHANGES



GTE Telephone Operations

INTRACOMPANY CORRESPONDENCE

May 13, 1996

Reply To
ELTC0100
Tampa, FL

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

Subject: PUC/PSC MEASURES - FLORIDA REGION

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

♦ % Out of Service Cleared in 24 Hours

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

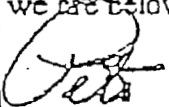
At the Region level, we have exceeded 92% in all months except January when we had the service emergency. At an Exchange level, which is how the Commission monitors our results, we are falling short of the standard primarily in our less competitive exchanges as we exercise cost controls directing our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

♦ Business Office Answer Time

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

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

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


Peter A. Daks
Regional President-Florida

PAD:jh

c: Dave Bowman

CONFIDENTIAL

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END

Exhibit REP-42
Docket No. 991376-TL

PHONE CUSTOMERS STEAMING ABOUT SERVICE



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TOSHIBA

May 3, 2001

Crossed Lines and Messed-Up Bills Lead to Increase in Phone Complaints

By SHAWN YOUNG
Staff Reporter of THE WALL STREET JOURNAL

Screenwriter William Keating and his neighbors have concocted a far-fetched explanation for their phone woes: There's really only one decent phone line in their little corner of Hollywood, and the phone company has been swapping it among them in an electronic shell game.

In reality, Mr. Keating and his landlady, Linda Abrams, say they have been complaining on and off for two years about their Pacific Bell service going on the fritz for an hour, a day, a week at a time, especially in rainy weather. A repairman would trudge over. The phones would work for a month or two, then conk out again.

"I have three phone lines," says Mr. Keating. "That's what it takes to have uninterrupted service." Ms. Abrams has been through dead lines, call forwarding that didn't forward, having one of her lines crossed with Mr. Keating's computer line, Internet connections that constantly disconnected and strangers' conversations that barged in on her phone. "I could tell you the details of a Hollywood deal," she says, if only she knew whose deal it was.

Phone customers across the country are steaming about service that has sunk to new lows in recent years. The percentage of customers who say they are dissatisfied with the quality of their local phone service rose to nearly 17% last year from about 10.5% in 1997, according to the Federal Communications Commission. And since more people are

What's been your experience with home-telephone service in the last five years? Participate in the Question of the Day.

Consumers Have Yet to Find Relief From Phone and Cable Monopolies

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 - Tech Briefs
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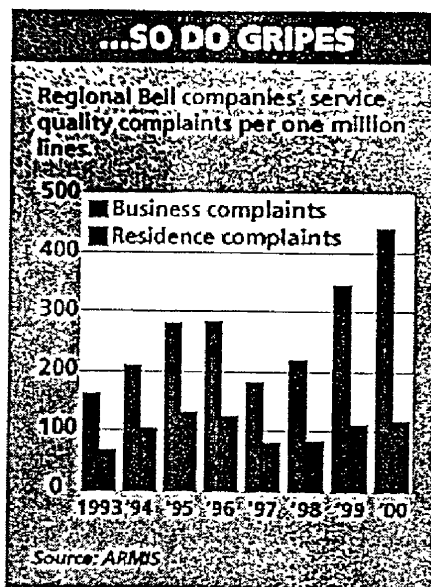
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depending on phone companies for more services -- fax lines, cellphones, Internet connections, voice mail, calling cards, call forwarding -- there are more chances that things go wrong.

This, of course, isn't the way the great reshaping of the U.S. communications system was supposed to turn out. Through the Telecommunications Reform Act, legislators envisioned an explosion of new local-phone and cable-TV companies that would provide better service at lower rates. Instead, most Americans still have no choice but the same companies that have enjoyed a monopoly for decades. And one of the few competitive areas of local residential service, high-speed Internet connections called digital subscriber lines, has turned into a thicket of delayed installations and unreliable service. Yet when things go wrong, it often seems there's no one to complain to.

"What I'd really like is to be able to talk to someone," says Terry Smith, a consultant in San Clemente, Calif., who helps businesses manage phone services. "The level of customer service is the worst I've ever seen it," he says. Years of layoffs, **mergers and job-hopping** in the phone industry have created a **work force** in which "anyone who knows anything is long gone," he contends.



Mr. Smith has been trying for seven months to get a response from AT&T Corp. on behalf of a major university in California. The university keeps getting a \$50-a-month long distance charge from AT&T even though it receives its long-distance service from Qwest Communications International Inc., although it buys some data services from AT&T. So Mr. Smith keeps calling AT&T. The people he reaches always say they can't help. They tell him to fax the bill and a written description of

the problem. He has done this for seven months running. "Nobody responds, never a call, never an e-mail," he says.

"We apologize for the inconvenience," says Don Ferenci, a spokesman for New York-based AT&T. "I don't know why the faxed requests from the consultant slipped through the cracks."

In Ms. Abrams's and Mr. Keating's cases, SBC Communications Inc., the San Antonio, Texas-based parent company of Pacific Bell, says it replaced a worn-out cable last month in response to complaints from residents. "We have a roving program to upgrade these things," says Pacific Bell spokesman John Britton. SBC is spending \$2 billion this year on maintaining, improving and expanding its California network, Mr. Britton says. Indeed, Mr. Keating says, repair people arrived promptly and were helpful. But for two years, the repairs were patchwork.

Both Mr. Keating and Ms. Abrams got credits on their bills to compensate for the faulty service. Ms. Abrams, however, wonders whether SBC isn't making a lot of money on customers who don't go through the ordeal she endured to track down small sums.

The same thought has occurred to Walter and Gladys Benkstein of Pleasant Prairie, Wis. They signed their Florida vacation home up for the same WorldCom Inc. nine-cent-a-minute MCI long-distance plan they have in Wisconsin and were shocked to see charges as high as \$7.43 for a one-minute call. Mr. Benkstein called WorldCom repeatedly. "They keep saying there's nothing they can do and they won't let me talk to anyone higher up," says the retired metal polisher. When he finally reached a supervisor, "that was the one that got really nasty with me," he says. The supervisor threatened to disconnect him and turn the bill over to a collection agency, he says.

WorldCom, based in Clinton, Miss., says its records show the charges are correct because the Benksteins used operator assistance. They say they didn't. "We've never had a technological glitch that only affected one person," says WorldCom spokeswoman Claire Hassett. The rudeness Mr. Benkstein says he encountered is "not standard operating procedure," she says.

Mr. Benkstein's experience exemplifies an increasingly typical problem for consumers as they hunt for bargains in a thicket of restrictions and fine print that rivals the airlines' worst.

Slippery discount plans, malfunctioning equipment and elusive customer service may be costly for customers, but they don't necessarily cost phone companies much. The fines that state and federal regulators impose generally amount to little more than a scolding and provide virtually no incentive to improve, says Gene Kimmelman, co-director of the Washington office of Consumers Union. "It's cheaper for the phone company to pay

the fine than offer the service," he says.

Even in extraordinary circumstances like those in parts of the Midwest, where long waits for phones, repairs and customer service from SBC's Ameritech unit have become a major political and consumer issue, the fines just don't add up to much. From December to April, SBC paid a highly unusual \$52.4 million in state and federal penalties for providing substandard service. But its revenue in the two-quarter period ended March 30 was \$27.2 billion.

The statistical picture of the major carriers' service is mixed. Complaints against the Bells have risen from 150 for every one million lines in 1993 to nearly 450 per million lines last year, according to the FCC. In the Midwest, state regulators say complaints about SBC's service are slowing down, but only after spiking to record levels last year. State regulators say BellSouth Corp. and Qwest are making substantial improvements this year to what had for years been substandard service. Even though Qwest cut its complaint rate in half last year, it was still the highest among the Bells at more than 500 per million lines, the FCC says.

That comes as little surprise in Lee County, a rural part of southern Iowa with a population of about 38,000 where Qwest provides local phone service through its former U S West operation. Residents often receive the fast busy signals and recordings that indicate their calls won't go through. The families of patients at Fort Madison Community Hospital sometimes have to make multiple attempts to check on their loved ones, says the hospital's chief executive, Jim Platt. "If our doctors want to consult with other doctors, they have to call four or five times," Mr. Platt says.

Qwest says it has re-engineered overloaded switches in the area to boost their capacity and expects to have the problem fixed this week. "We hope we've fixed this," says Augie Cruciotti, executive vice president for local networks.

Competition is generally regarded as the best medicine for bad service, but it is no cure-all. Just ask the 100,000 former customers of NorthPoint Communications Group Inc., a provider of DSL service that competed against the Bells. It filed for bankruptcy protection in January and shut off its service with little or no notice when it ran out of money in March, leaving consumers as well as tens of thousands of businesses without Internet connections. One customer who declined to be identified says his company got letters from NorthPoint after it had sought bankruptcy protection telling them NorthPoint didn't

expect day-to-day operations to be affected. The letter also reminded them of steep cancellation penalties in their contracts. Now, many of these disconnected customers are still waiting to replace the service with new carriers.

DSL is the core of many customers' frustrations. Consumers and small businesses are seething over interminable delays for hookups, hours-long waits for technical support, repeated outages, connections that don't reach the advertised speeds, and a blame game in which DSL upstarts and giant phone companies point at each other when things go wrong.




Even simple stuff can turn crazy. What became a monthlong DSL horror for Alan Weinkrantz, owner of a five-person public-relations firm in San Antonio, started last fall when he moved into a larger office within his building. Despite a lot of advance notice to SBC, the DSL service that was supposed to move with Mr. Weinkrantz didn't.

It turned out that when Mr. Weinkrantz had called about the move, the customer service employee, whom SBC concedes didn't have adequate training, failed to tell him that moving the DSL service would take 30 to 45 days. The employee also hadn't realized she had to cancel his service so it could be restarted at a new location.

"I was flabbergasted," Mr. Weinkrantz says. "We relocated our offices not across town or across the street, but down one flight of stairs. They never said: Oh, by the way, you'll be disconnected for a month."

SBC admits to repeated bungling with Mr. Weinkrantz, but says it has improved dramatically since then. "The customer care piece is the piece we're working hardest on," says Dale Robertson, senior vice president of SBC Advanced Solutions Inc., SBC's DSL unit.

Write to Shawn Young at shawn.young@wsj.com

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