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TELECOMMUNICATIONS - CARRIER TO CARRIER - SERVICE STANDARDS
STAKEHOLDER'S WORKSHOP
MARCH 23, 2000

Attendees:
Brooks Harlow, Covad, M Power, Metro Net
Eric Heath, Sprint
Barb Young, ELI
Fran French, GTE
Perry Hooks, U S WEST
Mark Reynolds, U S WEST
Nancy Judy, Sprint
Kaylene Anderson, Nextlink
Sue Henson, U S WEST
Susan Proctor, AT&T
Greg Kopta, Davis, Wright, Tremaine, for Nexlink, ELI, ATG, & GST
Ann Hopfenbeck, MCI WorldCom
John Finnigan, AT&T
Art Butler, Rhythms, Teligent, BBOC
Joan Gage, GTE

WUTC Staff:
David Griffith
Larry Berg
Roger Kouchi
Shannon Smith
Jacob Wexler
Glenn Blackmon

DG: Welcome, background, overview.

GB: Performance measures that get developed for a particular company, they change a lot. We're looking for some method of having a binding set of requirements that's not in a rule either. It could be changed with notice and opportunity to comment for everybody but it could be changed on something less than a whole rulemaking schedule.

LB: Overview of procedure.

DG: There was one proposal before us for the use of the statement of the generally accepted terms proposal from U S WEST. GTE had an alternate proposal. Let's discuss U S WEST's then GTE and we can get into the other proposals that have come in for this session. Let's discuss the pros and cons of each. I hope that we keep in mind during this discussion that we need to have a living document rather than one that would require a 10 to 12 month process to go through to make changes.

MR: Turned it over the Perry Hooks. I would maybe inform Perry that we have filed our 271 filing which includes our SGAT in this state. We filed that late yesterday afternoon.

PH: U S WEST is in favor of an SGAT approach. That came about as a result of the telecom act and part of our effort to achieve relief through section 271 in order to provide Intralata, in-region, long distance services. We want to allow the Commission an opportunity to have some degree of flexibility. It's important to have that flexibility because we're of the view that the Commission would not be in a position to have a set of rules that would be applicable to all parties. We believe that it should be applicable to all parties, not just U S WEST. There are three other alternatives that the Commission could look to. One is applying them only to U S WEST. A second one is at least applying them to U S WEST and at least to two other major incumbents in Washington, GTE and Sprint. Third is to all LECs, ILECs and CLECs alike. The intent would be to give the Commission some degree of flexibility by setting up some rules that are generally instructive and then allow the carriers to come in with either an SGAT or a tariff, as they so choose, that would be responsive to the general direction received by the Commission yet allow each respective company to respond in a manner that is reflective of what their systems would allow, what their processes reflect. U S WEST is not opposed to the idea of collaborative efforts and, in fact, we have utilized that in the course of both, voluntarily well before the ROC process began and then we've been active participants in the ROC process. Our intention is that once the ROC performance indicators are settled, to include that as part our SGAT performance measurement provisions. If we go the route of starting up workshops here, the concern that we would have is inconsistencies between Washington and perhaps what we would be doing elsewhere throughout the region. The concern with that is much more of an administrative, it's a very significant administrative problem. Because as we try to produce performance measurement results, the more variations of a theme you have then the more resources that ties up to put out those different types of resources. As part of our overall 14 state plan, as we would be introducing SGAT across the region, it would be our intent to include the performance indicators that are coming out of ROC in that. We're working on the assumption that that would acceptable to the Commission which has been participating, at least through their staff, in the ROC process. U S WEST is supportive of the idea of having high level rules that give some direction as to what folks are interested in, as far as the Commission and those whose participate in a rulemaking and then giving us the flexibility to include responsive measurements in our SGAT. We do support allowing the Commission to have some flexibility. We think this is the best way to get the flexibility. Although I'm intrigued by the comments that have been made about some sort of a living document, I'm having a difficult time envisioning what that looks like.

FF: What is the ROC process?

PH: ROC stands for the Regional Oversight Committee. Representatives from the Commissions of the 14 states who have collaboratively engaged in a process along with

U S WEST to identify performance indicators and, to a certain extent, the standards that would relate to that, such that in our view was, the idea was that we would work on this collaboratively in order to allow U S WEST to have a package of performance indicators that we could roll out throughout the region. It gives administrative advantages to U S WEST in that we don't have 14 different sets of measurements. It gives the Commission the advantage of knowing that U S WEST is providing information to them consistent with how it is being provided in another state. So they know, 1) that they are getting the same type of information, and then 2) to the extent that they so desire, they could also even do comparisons from state to state. But the ROC process is more or less a workshop process that has been, for about the past four to six months, that the parties have been engaged in. And the parties being, not only U S WEST and the Commission staffs, but also a number of CLECs have been involved in this process. Probably pretty much all of the companies in the room today have been involved in the ROC process. It sort of a collaborative negotiation as to what would be performance measurements for U S WEST to utilize on a going forward basis.

DG: I have a question with regard to parties to the processes. How would that make the SGAT proposal different from your perspective? Because there may be some items that they would like to see in there that may not necessarily show up during the ROC process.

PH: Although they may not have participated in the past, to the best of my knowledge the ROC process is open to everyone. Even if they have not and choose not to do so, it then comes back to the initial premise on out SGAT. Our SGAT would reflect the high level direction from the Washington Commission. The types of direction, for example, I'll just make one up, the Commission might direct local exchange carriers to say, we would like you to provide information concerning what is the average length of time it takes you to provision certain sets of services or what's the percentage of time that you make your commitment as far as the provisioning. And giving us high level direction like that and then from there the companies can come in with their respective performance measurements that then would reflect what the Commission directed. The opportunity for those companies to come in would be at the time the Commission were to determine what should be the high level direction that we would like to have the companies report as a matter of general standard. We would like to see these rules be what everyone would want to reference to. I don't believe the rules, by themselves, necessarily preclude parties from coming in to negotiate to their interconnection agreements or resale agreements, or what-have-you, and seeking to have a different look at measurements. But, U S WEST would want to strongly encourage CLECs coming in or DLECs coming in to utilize the measurements that were agreed to on an industry-wide basis, such as do the ROC or as directed by the Washington Commission.

DG: Do you see this SGAT document as one as being regional in nature or would there be specific state by state SGATs.

PH: I see state by state SGATs for different terms. But with respect to performance

measurement, our intention is to look from a regional perspective.

DG: For Washington, what procedure would you envision for that document going through, first for approval, and then for any revisions later on?

PH: I don't know if there's been any kind of predetermination on how this SGAT is going through. But I was consistent with that proposal. That's how I would see it happening initially. Beyond that, as far as changes go, I would think that the company should be allowed the flexibility to add things. Deleting things from the list, I think we should have that same flexibility as long as what remains is consistent with the high level rules that I was contemplating in writing these comments.

DG: What kind of process would making the changes go through? Would that be something that comes directly from U S WEST or could some other parties request it?

PH: U S WEST would want to have the ability to exercise that right. About other parties coming through, I would guess that would also be appropriate to seek changes or amendments to the SGAT by filing something with the Commission. In seeking that U S WEST, or whoever the party might be in this SGAT, but in this case U S WEST, we would have the opportunity to respond and have a hearing on that. Another option is, if a party wants to have a change and they've executed an SGAT type agreement, they also have the option of coming to U S WEST because there really is a difference between an SGAT and a tariff. The SGAT is sort of an offer that U S WEST is willing to negotiate with and have the ability to negotiate with a CLEC, whereas a tariff is a firm offer where you don't have the same degree of flexibility. As time goes forward the preferred course would be that parties should first go to U S WEST about negotiating their individual agreement and then if that doesn't work out to their satisfaction, having the option of falling back consistent with the terms of the SGAT.

GK: We agree with what Perry was saying to the extent that there is a need for some basic rules that set up general parameters. Things that wouldn't need to change on an on-going basis. But we would strongly disagree with the remainder of U S WEST's proposal. On several basEs. Number one, from a legal perspective an SGAT is a take it or leave it document under the act. The ILEC files it with the Commission, the Commission has 60 days to evaluate it and either allow it to go into effect or reject it. In that sense it's like a tariff only not nearly as flexible as one because the Commission can't suspend it and investigate it and have a proceeding in which there is some Commission input. It's an either allow it to go into effect or reject it. I think the Commission staff's preference for a living document, in my mind, should reflect a give and take and a development by all parties. An SGAT is developed by U S WEST, proposed by U S WEST and in complete control of U S WEST. That has not worked in the past and we don't anticipate that it's going to work in the future. We believe that a collaborative process to develop individual measures is the appropriate way to go with sort of a background of new rules that set general parameters. Whatever document that results from the collaborative

process should be something that is more in the form of a stipulation or an agreement that the Commission approves and then is subject to change only upon petition to the Commission to change, and that any party can seek to do that, but only should the Commission entertain those sorts things if it comes as a joint request as opposed to an individual party's request. The document itself should not be in the control of any particular party, either to change, or add to, or delete from. It's something that needs to be developed by the industry and changed or modified by the industry.

BH: We agree with Greg's comments. It's not clear to me how you enforce SGAT. There might be enforcement mechanisms through the interconnection process, but with rules you also have the possibility of Commission enforcement and you have the possibility of fines which might help incentives with compliance with the rules. With regard to the ROC/OSS process, it's my understanding that that's more intended to develop measurements as opposed to standards. That process won't really deal with half of the issues that we have to deal with. We think that there's a need to develop standards in addtion to the measurements.

SP: The process has to be developed based on what you ultimately want to produce. We want to produce not just the performance measurements, which I think through the ROC in the Arizona proceedings, have been able to build on work that was done in California and some other jurisdictions and John Finnigan is able to address in detail what all has been involved there and what they're doing. I think that that provides a good starting point but, as Brooks said, there are also standards that need to be developed because the ROC process is focused on the OSS testing piece of section 271. The other piece is that the SGAT does not apply to GTE, as GTE mentioned in it's comments. There's a concern about adequate level service and those standards largely, are not in the ROC process because much of the standard there is quality. In our view one very possible and not desirable outcome of the introduction of competition is that all customers would get bad service. That's a very important concern. Noticeably absent from the ROC process, from previous filed versions of the SGAT, are any incentives, or anti-backsliding, which was in the Bell Atlantic/New York. Some teeth are needed in these standards. So you'd have to look for where do you get those and how do you develop them. None of this were we able to produce in the first round of contracts through negotiations with U S WEST. I'm not familiar enough our GTE negotiations to know whether we were any more successful there. The other part of this is that these are wholesale standards, carrier to carrier, so they're not just limited to CLEC's or DLEC's. AT&T currently purchases access services under the access tariff. We currently have pending a service quality complaint against U S WEST. AT&T currently has in place with both U S WEST and GTE as well as the other RBOCs nationwide, a set of what AT&T calls direct measures of quality. It's a very extensive set of measurements and standards that GTE and the big access providers report on monthly. So there is that process currently in place which might also provide the benefits of sort of an agreed on set. I don't know the extent to which maybe the statistical measurements are not quite as detailed or as consistent with the work that's being done at ROC, but it's also a possible source. The concern that

AT&T would have, is that this not just be in terms of what does it take to measure the OSS testing for U S WEST or, even as GTE's comments were written, in terms of OSS measurements. This is about carrier to carrier service quality and it's anything purchased by another carrier from an incumbent. If that's what we're looking to produce, which is what our vision is, then how do you best get there? I appreciate and value the concern that you're talking about, about wanting to stay current and how we do that so we're not locked in. We share the concerns about use of SGATs or tariffs, documents that are prepared by and dictated by the incumbents.

DG: How does GTE envision stipulation agreements being used?

FF: I'm going to be talking basically about CLEC/ILEC relationships and not total carrier to carrier because I'm not familiar with what we do on the access side of the house. In California we basically came up with a set of performance measures with some standards for certain of the measures. The measures and standards that we could not resolve we continue to work on. As we had resolution, GTE implemented those measures and standards and we now have a website that allows all the Commissioners and Commission staff in each state to go on-line and see what's happening in their respective states. We also allow the CLECs to go on-line and see what's happening between GTE and their operations. There is one exception and that is, where we do have contracts that say you have a set of, and it actually came out of the California contract where we had we had DMOQs and tied to those DMOQs were some monetary transactions would be involved if we didn't meet our objectives. Some of those parts of the contracts are still in effect today and where we have those we do not voluntarily allow the CLEC to go in and look at the results. But in the states of California, Indiana, Hawaii, and North Carolina, we have reached agreement with the industry and with the Commissions, although they are at different stages of being finalized, where we do allow the CLECs go in and look at those. We basically have a set of measures out there. We are in the process, in California, of going through our first review of those. We have still a number of outstanding issues in California for review and I believe the folks are still going to work on those. Basically we've gone through the process of working with the industry in a collaborative, where we could not reach consensus, and the issues were significant to either party then we filed either comments or briefs with the Commission in California and let the Commission help us decide some of those issues. We're still working on others. I would hate for us in Washington to disregard all the effort put forth by the industry in what we have reached agreement on and start at ground zero. We did file a stipulation in California. We filed one in Nevada and Indiana. We're in the process of finalizing one in North Carolina. I can understand U S WEST's concern within their region of having some continuity and uniformity when it comes to reporting what you're doing relative to the various processes we're involved with, with the CLECs. Because you can take one word and change it in a measure and that can result in hours of computer programming to get the right bit a data through for us to report what is the intent of the measure. We can also end up having to change our operations processes, having to train the people as well as all the system modifications. It's to our benefit to

have consistency and I think the carriers benefit from consistency so they don't have to look at, what is GTE reporting, what is Sprint reporting, what is U S WEST reporting. At least they have some consistency. We found out in the process that, we'll use Pac/Bell as an example, their processes and systems are different from GTE's processes and systems. You measure the same process but you don't measure it, necessarily, the same way. So you have the flexibility of allowing whatever structure you come up with to measure the carrier to carrier. You let the processes and procedures and standards govern what would apply. It's been working out pretty good. I think the stipulations that we've entered into are dynamic enough to address changes as those changes occur, and allows all participants to have an equal say in the process. Now how that can fit into to Washington and it's laws, I don't know. I would say that I cannot think of anything that could be less dynamic than a stipulation type process that would accommodate the competitive market entry as I've seen it in the last two years. Things are changing. The carriers needs are changing. The ILEC's needs are changing too and their capabilities. I think there has to be a two way give and take and let the Commissions monitor what's going on and help us out where we can't reach resolution.

SP: (turned tape over)....GTE as compared to the RBOC. Are those separate stipulations? Are there areas of overlap and then you distinguish perhaps areas where you are different?

FF: I believe in Indiana, Sprint and GTE had a stipulation based primarily on what transpired in California, with any modifications coming out of the February 2000 review, carrying over into Indiana. Ameritech was addressed separately. Ameritech, of course, with its 271 filings and it's merger, had already in place, a set of performance measures. The CLEC's were addressing what it was Sprint and GTE could agree on and where there is mutual consensus there. Then addressing Ameritech, somewhat on a separate basis.

EH: In Nevada we used the LCUG measurements as a baseline. With Nevada Bell or PacBell and Sprint and also GTE there were three different stipulations entered into which were then put on file at the Commission for review. When CLECs want to come in and enter the market, and something changes, that can be done without a rulemaking having to take place.

SP: That's Sprint the ILEC, not Sprint the long distance company?

EH: Sprint the ILEC.

SP: Could you just say again the process for updating?

EH: I brought a copy of our "cookbook" and it's basically the LCUG standards which we've stipulated to measure the ILEC in Nevada's performance. This is on file with the Commission. If it turns out, after this review in March, that certain measurements need to be changed because they are not reflective of reality, I think that is able to be done

with, my detail is not exactly clear on this, but without proceeding like a rulemaking. It's more of sort of a new stipulation or a modification to the stipulation that the parties are able to sign off on.

FF: I believe that both California and Nevada there would be an additional stipulation on the issues or items that there had been agreement on. Normally we'd file an issues list of those items that we have not reached consensus on, if we're at the point of giving up on trying to reach a consensus. Usually those are briefed.

SP: How do you deal with the issues that could not be resolved?

FF: Normally briefed and if the Commission wants to issue a ruling based on the record, I think in most states they have the latitude to do that. In Nevada we stipulated, we had a number of open issues that we filed comments on, still could not reach consensus and went to hearing.

SP: Because of the approach they felt was needed in Nevada?

FF: Yes. In California it's filing the stipulations. Filing, also, an open items list, briefing, and we have not gone to hearings yet on any items.

SP: Is it your understanding that you will have to have hearings? Or is the Commission going to decide based on the briefs?

FF: The Commission will probabaly decide on briefs unless it's an issue that the majority of the parties feel that it needs to go to hearing. So far we've not gone to hearing. To clarify, so far what we've worked through is the performance measures and standards. We have not addressed incentives. We've tried to and we have had additional workshops going on in California. We're going to be addressing incentives in the other states. Nevada, I think, is next on the schedule. We've not reached any resolution on incentives. So that staff understands, when you get to the point of talking about incentives, you're going to have a variety of positions to be taken. So far, one little aspect, you might think statistical analysis. We can't even figure out how to do that and agree on the stats. Then when you get to if you've passed or failed the test, what incentives apply and then the gap becomes wider. California has a workshop next week on the incentive portion. I'm not sure what Nevada has decided to do, except it's back on the front burner to have some type of workshop on incentives.

SP: You've distinguished between measures and standards. Is that something that you could explain, by example, how you're distinguishing between measures and standards?

FF: Measures tells you what process you're going to measure and what level of desegregation you're going to measure that. Standards would be how do you judge whether or not the ILEC performed adequately for you. If it's a parity measure, which means in this case,

GTE provides for the carrier the same way it provides for itself. Then there's parity in process. We advocate that that would be an analogous comparison. So, if our interval is five days for ourselves, then it should be five days for you. Where we do not have like processes, we're developing benchmarks. Whether it's 95% at a given time, it's a target to hit.

SP: So there would be areas where you do have benchmarks, but for most of them it's going to be just parity as the standard. So if we were wanting to develop a benchmark for all of their areas, that's not something that you have done in these other processes. Is that true?

FF: GTE's preference is that if we have a like process for ourselves and for the carrier, it would be a parity measure, because we feel that the TA96 did not call for us to do something within a certain time.

SP: I was trying to understand what had or had not happened. In these other cases, parity is the only standard that been developed by the parties, other than where there are benchmarks. Where there are like processes, parity is the only standard that has been agreed on. Is that right?

FF: I think of benchmarks as standards.

SP: OK. In California, how long did it take you to reach the stipulation?

FF: About 18 months. The process doesn't seem to stop, it continues.

SP: In the other states, was it about the same?

FF: About the same. California and Nevada worked in tandem. At one point in time, when we would reach agreement in California, we would carry it over into Nevada and vice versa.

SP: In other states if there had been work done, like let's say Ameritech first, were those, like in Indiana, let's say that they had system-wide standards, would that work have been brought to the GTE negotiations? Or was there any overlap?

FF: While in negotiations both we, GTE, Sprint and Ameritech, as ILECs and all the other carriers. It was a joint.

SP: So I was trying to understand whether the CLECs had been negotiating with each of the ILECs individually?

FF: Initially it was all, but it became apparent GTE and Sprint had made a lot of headway out on the west coast. We did not want to start all over again. We already had something in place. We wanted to take advantage of that. So, it was recognized that Ameritech's

systems and processes may not be the same as GTE's, nor is GTE's the same as Ameritech's and Sprint's. Since Sprint's in Nevada as an ILEC, had reached basically the same point of progression in determining what measures and standards are, they were willing to take advantage of the work that we had already done and where we were in performance measures. It's still the same docket, but .....

SP: So CLEC's are having to work individually with Ameritech and then also Sprint? Or are GTE and Sprint together?

FF: GTE and Sprint together.

SP: But the CLECs are having to work separately then, so they're having to double track?

FF: There is a distinctly different track, but I don't know if it's all totally double. There is commonality, but when you get to the measures themselves and the standards, there is a difference.

AH: In states in which you've entered into stipulations, have the Commissions then entered orders specifically approving and adopting those stipulations as the measures and standards?

FF: I may have to check on those for sure, but in California and Nevada there were orders. There was an interim order in Indiana. We anticipate a final order. North Carolina the stipulation is still being polished. But we anticipate an order from the Commission on that. Stipulation has been filed in Hawaii and we're waiting for an order from the Hawaii Commission.

AH: Is it also contemplated that, in the event that the stipulation is modified, do the parties contemplate that it would be necessary then to have the Commission enter a new order adopting the stipulation as modified?

FF: Yes.

AH: Once the parties entered into the stipulation, was there any kind of hearings process that took place before the Commission where in order for the Commission to sort of evaluate the standards and measures from the standpoint of whether they meet the requirements? For example the overall standard governing carrier to carrier relationships in the telecommunications act.

FF: In California the order was based on the record, precipitated by briefings. We had filed status reports with the Commission staff and I believe we filed briefs also along with the stipulation. Their ruling was based on the record.

AH: What did the record consist of and how the record was developed? Whether there was

sworn testimony supporting the standards...

FF: In California I do not believe we filed any sworn testimony. It was basically status reports filed by the group of individuals representing the industry and we also had staff participation. Sometimes to hurry us along at certain times and at other times just to sit in and monitor what was going on. In Indiana it was a little bit different. I think they were trying to accommodate the variances in the way their regulatory system works. The staff had a representative, she was contracted from outside, to represent the Commission in Indiana. When we filed the stipulation, she did file testimony and I believe that there was a hearing where they accepted her filed testimony. There may have been a few questions at a very short hearing or whatever.

AH: Do any of the stipulations specifically address the question of enforcement?

FF: Not yet

AH: And that's what you met when you said you had not yet reached consensus regarding the question of incentives?

FF: Right.

AH: I want to state for the record two things about MCI WorldCom's position since we haven't gone on record with comments. One is that, you can add MCI WORLDCOM's name to AT&T comments. The other thing is that one of the most important issues are the issues that were addressed by Mr. Harlow on the need for ensuring that whatever process is adopted, whatever way this Commission decides to go with establishing standards, that those standards are enforceable in a meaningful way. And we really view carrier to carrier rules much in the same way that, historically, we've all viewed the necessity for retail rules. That carrier to carrier rules govern carrier to carrier relationships and, in that context, carriers become customers of other carriers. It's just as important to have enforceable standards in that context. And perhaps even more so because the ultimate beneficiary of those standards is the end use customer who we're all trying to serve.

JF: In the California measures and some of the other states stipulated performance measures, are the measures applied to the retail performance as well as the wholesale performance?

FF: It's only applied to the retail when there is a common process or procedure or system that handles the retail side.

JF: So for those common processes, where there is, and I'll take it that the measure applies equally for the wholesale and the retail...

FF: When you say apply I'm not sure what you really mean. We basically compare our

deliver of service to the carrier to that which we delivered to ourselves.

JF: An example. Let's say for the purpose of application day, your application day ends at 3 p.m. Any orders received after 3 p.m. are going to be counted against tomorrow as the start point for any interval measures. Any orders received before 3 p.m. are going to be counted as received today. Let's assume that's in the performance measures. Would it apply the same for wholesale as well as retail? In other words, the wholesale application date ends at 3 p.m. and the retail ends at 7 p.m. Would any of those differences be found? Or, if we have a measure and you've agreed it's common process and you're reporting from retail and you're reporting from wholesale, can I know I'm comparing apples to apples in terms of how you collected the data, analyzed it, and reported it?

FF: I would hope that we can. We are currently going through an audit and, if there are discrepancies, I would anticipate that the audit would identify those. Since I don't traditionally don't work retail side, I really don't know, but the intent was to compare like to like. I suppose if you're looking at like to like you've got to take in timing also.

JF: Let's assume the retail folks said we want to change the application date from 3 p.m. to 7 p.m. Is there going to be push back that says, wait a minute, we've got this stipulated document as a controlling document and we just can't unilaterally do that. We have to go through a change control process via the stipulated agreement to implement that change. Else wise you're going to have out of compliance measures where your retail performance or your wholesale performance, while they may have been the same at one point, if you're not managing that through your M & P's, they're going to get out of sync and over time you may not be comparing apples to apples. Are there any controls in place internally or any change control processes to ensure that the wholesale performance measures and presumably retail performance measurements in the stipulations, stay current?

FF: I don't know for sure. I do know that alignment with retail and wholesale was a concern. Also our performance with the carriers is a big concern. So, they created a whole new department within GTE to work in the area. Whether or not this is one of the new department's charges or not, I don't know. But, I will take that back and ask.

SP: Once the Commission approves the stipulation, what is it that you have as far as it's enforceability. I gather it's not a rule and it's not a tariff and maybe it depends on the state what it is that you have.

FF: Once we have an order from a Commission, we're bound to abide by that. Currently, in most states, if you are out of compliance with a Commission order there are penalties that the Commission could levy on the carrier. GTE has not voluntarily said that we're going to step up and pay incentives when we miss the mark on our performance, but it's inevitable that there will be incentives once we can reach a consensus or meeting of minds or someone tells us, this is how you're going to do it. Really there is no

enforcement other than the normal and abilities of the state Commissions to be able to penalize us for being out of compliance.

SP: Is there a view of what the whole process is going to look like? Because if it's a Commission order, then and I assume that there's some sort of reporting mechanisms. You were talking about an audit, so I gather there's some sort of audit provisions. Does that then mean that it's up to the carriers who are purchasing to come in and say, GTE hasn't been complying with this particular standard for a long time? Was there review of how that part of it was going to work?

FF: I guess the carrier always has the ability to come back and say, GTE you're really not providing for us and if you don't, currently you could go to the Commission.

SP: That's what we currently have. The question was, in these states has there been a discussion of what the view was of how this was going to work or is it just that there hadn't been discussions about that?

FF: There were discussions on the incentive phase in California. We had numerous workshops. We even had transcripted formal workshops in California and there was negotiation. In California, the CLEC's had more negotiations with PacBell on incentives because of PacBell's 271 filing. We were told to wait and we waited and when we were ready to negotiate with the CLECs they said we've given all we're going to give. What the heck did you give, we don't know.

SP: In California the CLECs couldn't double track?

FF: Right.

SP: They had to do GTE after they had done the RBOC?

FF: There wasn't sufficient agreement between the CLEC's and the RBOCs in California for the Commission to move ahead. Now you've got the GTE CLEC back to a joint workshop. They're talking about a test. Whether penalties would apply during the test period is still to be resolved. The test is nothing like what both the CLECs and the ILECs supported. The more people you get involved it seems like the more options you have. I have no idea where it's going to wind up. Eventually we will have incentives though.

SP: None of these dealt with access services, right?

FF: Right. GTE has had various levels of productivity to strive for with the carriers in the access arena. I know very little to nothing about those.

SP: I thought in one of the states you said you started with the DMOQs?

FF: We only did it because you've had it in your contract and that's where we stared. We said this won't work because you're DMOQ's were very limited. It didn't give the CLECs what they needed. But that's where GTE originally started and we said, this doesn't do it. We came out with a list of 20 something measures that we were willing to offer. California docket opens up and that was GTE's when we rolled out in California. But basically the CLECs LCUG. PacBell started from their 271. GTE said we're doing this today under the AT&T contract for the DMOQs. This is where we are willing to start.

SP: The relationship with the interconnections contracts, the only difference between the process you're talking about and the interconnection agreements is that here you're dealing with all the CLEC's instead of individually?

FF: We filed a position in California that we wish to incorporate by reference the performance measures and anything else coming out of that docket, as opposed to going back and negotiating all of our contracts. When you negotiate you're going to have a variety of things. One of the things that Perry mentioned was uniformity. It's difficult to get uniformity in a contract because you have different individuals negotiating different contracts. For performance measures GTE has been advocating that we need a set of standards so that we would do the same thing for everybody and we're judged on the same set of measures.

SP: How many states does GTE serve?

FF: I think it's 23.

SP: How many does Sprint serve?

EH: 18 or 19.

FF: GTE is in the process of selling some it's properties.

MR: As a new CLEC enters into the market, I take it that these stipulations are open for them to opt into as well?

FF: I don't like the word "opt" in. They get them whether they want them or not and I would prefer that they don't get anything else but that.

MR: Is that because the stipulations are submitted to the Commission and is actually a result of a Commission order that those provisions be made available to all comers?

FF: That's right

MR: So, it almost works like an SGAT after the stipulation.

SP: Exactly, but you don't control it.

FF: If we controlled it in California, we'd have orders now.

MR: The way we envision the SGAT working, especially in the context of the 271 filing, is that it's a malleable type document that all the parties can work from. That's part of the beauty of it. In a situation like a 271 filing, where you're actually working through workshops and you're working with adjudicative process, you could come out with a document that you can change very easily and readily, via Commission order or stipulation. I'm just suggesting that maybe a combination of different processes might work best for what we want to accomplish here. And that I don't think you should keep in your mind that the SGAT is just this document that the ILECs or the incumbents can file and change at any time and it's just their document. It doesn't always have to work that way.

SP: Mark that's not what your people are saying in other states. Chuck Stees has said, it's our document, if you don't like it, go try and negotiate something else. Which doesn't mean that we can't have a different process here. But I think that what we have heard from U S WEST elsewhere on the SGAT is not exactly the same as what you're saying.

MR: Maybe it's a matter of degrees. My understanding is that, for example in Arizona, has the initial SGAT that we filed, has changed at all? I think the answer is yes. It's changed substantially. And it's changed on input of the parties and through kind of an open process. My point is that they can change and can be a more flexible document for parties to work with.

AH: My question is whether or not the SGAT that you filed in Washington yesterday reflects the agreements that have been reached in Arizona? I understand that there may be Arizonan specific agreements. But it is also my understanding that there are a lot of agreements that have been reached that have more general application. We were wondering, in house, whether U S WEST was intending to incorporate in their additional states, the changes that reflect agreements that have been reached between say MCI WORLDCOM and U S WEST or AT&T and U S WEST?

PH: What we're planning on doing is really looking to the ROC as opposed to the Arizona process. Because the majority of the states are participating in the ROC case. Whereas in the Arizona case, only Arizona and to some extent Washington. Our intention was to incorporate the ROC outputs rather than the Arizona outputs. Because the Arizona outputs, as a general rule, are being incorporated into the ROC. Also because the ROC has more participants, both from a Commission perspective and in terms of other industry players. We were looking more to the ROC as opposed to the Arizona document.

MR: Perry, Ann had a real specific comment about the SGAT that we filed in conjunction

with our 271 filing and whether...

PH: That one probably had a placeholder, didn't it?

SP: I think Perry is talking about just that section on service quality and I think Ann's question is broader.

AH: It's only just to reflect where your general direction is because we have been talking a lot today about using progress that's been made in other states. It seems like I was just trying to get an indication of as to where U S WEST was in that. The other question I had sort of references Greg's comments, and that is, it's been my impression that U S WEST, in filing it's SGAT in Washington and in other states, in conjunction with it's 271, I guess I want a little bit more clarification about how you view the SGAT operating or an evaluation of the SGAT functioning. I'm left with the impression that perhaps U S WEST is open to something that's quite different than what's really spelled out in terms of filing a document and then just having the Commission sort of approve or reject that.

MR: My understanding is that we'd like to get the SGAT to a point where it symbolized the necessary compliance that the Commission requires us to have with our obligations under the act, such that they could give their nod to the fact that the company was bound to offer those terms and conditions in the state where we were seeking that compliance. It serves as a legal document that we file in this state, these are our terms and conditions that we're required to offer other parties. Other parties can incorporate terms and conditions of the SGAT in their own interconnection agreement via 252(i). Thus, it serves as sort of a symbol of our legal obligation to offer those terms and conditions to parties in accordance with the 271 process. To the extent that we have something in our SGAT right now, that the Commission clearly felt was out of compliance and they would not give their nod to the FCC that they felt that we were in compliance with our obligations under the act, I would think that we would want to sit down and work that out with the parties to ensure that they felt that the SGAT now complied. That's why we're filing it as a flexible document that we can work through this long 271 process to ensure that we can be in compliance.

AH: Let's assume that we could all come to agreement on an SGAT. First of all, is it your intention that the SGAT would include specific, not only measures, but standards to which U S WEST would be bound in providing service to other carriers?

PH: As a general rule, yes. To the extent that we have spots that are still open or we think we are well off the mark, there might be some variations from what's set there. But certainly on those items that were parity ones, I think we're more likely to. And even on the benchmarks. But we'd ultimately need to look at it from end to end, but as a general rule that would be our direction.

AH: You reference the parity standard, but are you willing to entertain the suggestion that the

SGAT itself set forth a standard that's not just for the purposes of this particular measure, the measure if parity, but rather identifies specific performance expectation?

PH: Under our proposal, we would do something consistent with the general direction provided by the Commission. If the Commission has not set forth a particular level, then we're more likely than not to stick with the parity standard itself, rather than (not clear on tape).

AH: So does that mean if a party were trying to enforce the SGAT, basically what you'd have to do is go through a proceeding and prove what parity is in order to actually, I mean that that would be sort of a prerequisite to any party prevailing in a complaint.

PH: No, because there's enough of an agreement about how you would determine that. There will be an agreement as to the statistical test to be applied. So then the question would be, did you pass the test or fail the test? Not what parity is. I don't expect that to be the real crux of the issue coming out of ROC.

JF: My understanding is U S WEST views the SGAT as a vehicle to comply with it's 271 obligations or 251 obligations under the act. What if the state of Washington decided that in addition to the non-discrimination obligations outlined in the act, that they wanted to have a document that got at adequate service standards? To say unless you hit this mark we will consider your service inadequate. Would U S WEST entertain the notion that the SGAT, in addition to establishing non-discrimination standards, could also be used to identify adequate service standards?

PH: We would conform our SGAT to reflect the requirement of the Washington Commission. In other words, if the Commission said that you had to hit a certain percentage X for a particular performance indicator, then when we would include that in our provision. We would say our requirement would be whatever X turned out to be.

JF: What if the state of Washington decided they wanted to have access standards in a document? What would be adequate service standards for access services provided to IXCs?

PH: Actually when Susan brought that up, that kind of caught me by surprise. Because quite frankly, the way we've been looking at this docket and our SGAT has been really more the ILEC to CLEC kind of perspective. We did not see the scope of this rulemaking, nor comments in the past, ever really going to the issue of the ILECs as access services providers. When you talk about that kind of expansion, I think we'd want to look back overall and see what is the purpose of these rulemakings? I've just never thought that was contemplated from any of the prior comments.

JF: It's a rulemaking on carrier to carrier standards. It's not a rulemaking on CLEC to ILEC standards.

PH: I'm referring to the comments that were made. The comments to date have really not gone to access services. That is essentially AT&T now trying to take the complaint proceeding and now try to spill it over into this proceeding.

JF: Would U S WEST entertain the notion of including access standards in the SGAT, if the Commission wanted to do that?

PH: You're talking about a whole different document than what we we're contemplating. What we were contemplating through our SGAT is a document that talks about U S WEST's obligation to provide services consistent with our requirements to resell finish service to provide unbundled network elements and to provide interconnection for purposes of local exchange services. Not so much to provide InterLata services. We will take it back and think about it.

MR: We consider our obligations regarding access services to be contained in our intrastate and our interstate tariffs for those services and there are expectations and certain standards that are laid out and even some service credits involved when you take a look at those tariffs.

PH: They way we're looking at it is, as carrier to carrier, we're not looking at this as only ILEC to CLEC, we're looking at this as what do all local exchange carriers, including everyone in that room, what obligations do we all have. That's part of the scope of this. Not just one side to the other, ILEC to CLEC, for example.

SP: On the issue of standards being applicable to the purchase of unbundled network elements, my understanding is that IXC's are entitled to purchase unbundled network elements and they would be able to purchase the unbundled network elements, which are currently bundled as access services, at such time as AT&T is able to do that, if the FCC ever rules. Is U S WEST's view then that those services would be included in this rulemaking in the carrier to carrier?

PH: In November when the FCC issued their fourth notice they, at this point, said UNEs were only available to the extent that, as a substitute for access, only to the extent that those services were carrying a significant amount of local exchange service and that they would look at the entire question and reach a decision, I think, by the end of June. Given the timing of this docket, I think what we'd want to do is wait to see what the FCC came up with by the end of June and then determine to what extent these rules would apply in that circumstance. At this point I think it's premature for me to suggest that we would include it without knowing exactly what the requirement is or what it will become at that point.

DG: While we're at break, give some thought to whether there might be some other way of handling the issues here at hand. One of the other questions that we asked was, should we have a rulemaking, or even if we do a rulemaking, should we maybe just look at some

basic rules and try to handle some of the more thorny issues as we discussed earlier... (changed tape)

****BREAK****

DG: ...and we've agreed on some enforcement measures, but we may be looking at an eighteen month process, or more. So, is it preferable to start with something smaller and get things going quickly, or would it be better to wait until we have everything?

JF: We can't ignore and we certainly should try and leverage the fine work that's been done with GTE in California and some of the work that's been done in the ROC process in identifying what the measures are. I think the list of measures is probably got a lot more agreement than people would believe or understand, in that, in terms of the measures themselves, there's probably not that many outstanding issues in how you measure it and how you collect data. The list, I think, is getting to be pretty steady. The measures themselves are fairly generic, how long does it take you to do something. What's a frequency of something breaking? When something breaks, how long does it take to fix it? How good are you at communicating status of orders, repairs, etc? There's been a lot of good work. There's been a lot of agreements on what measurement should be used to gauge how well those processes are occurring. I can almost see two living documents. I don't know about WITA, but I could kind of see a GTE living document based on the California and a U S WEST living document on ROC. What neither ROC, nor the various proceedings GTE has been involved with, seemed to have done, to any degree of finality so far is, once you have those measures and you're reporting results, you have to make a determination of, are the results good enough? Good enough being defined as, non-discrimination or parity standard, or benchmark, where there's no analogous process or if AT&T the CLEC had it's druthers, good enough in terms of has a minimum adequate service level been reached or been achieved? The issues of how good is good enough, once you have the data, has not been resolved. There's some statistical issues also involved with that on the parity decision of how good is good enough. The other thing that hasn't been resolved in ROC, and I don't think it will be resolved in ROC and apparently hasn't been resolved in California either is, once it's determined that the performance is not good enough, what are the consequences, if any, in terms of you're not doing good enough, is it dollars, is it .....So the other issue is going to be, once it's been determined through various means that the performance is not good enough, what are the consequences, the financial consequences? That's something we would probably have to take up at this forum. How I would like to see this work, and again I don't know how this falls procedurally into how Washington does things is, where we can reach agreement, that's great, let's reach agreement and document it in this living document, whatever form it may take. Where we don't reach agreement, let's kick it up to the Commission or Commission staff and have them make a decision to resolve the dispute and have that decision reflected in the living document. I'd imagine, to satisfy the attorneys, there would also have to be some appeal process. I don't know if you would appeal to an ALJ or appeal to the Commission themselves, but some sort of final appeal

process if the first level decision making has left one or more of the parties disgruntled. And as we're moving along we can implement, or put into effect, progress as we've made it so we're not waiting for everything to be done until we can start working on anything or start operationalizing anything. That's how I'd like to see it work, I don't know how to do that procedurally in Washington. From what I've heard on the SGAT, my concern is, apart from the access issues aside, it seems like it may be too limiting as a type of document to provide us with the ultimate flexibility. I don't know that it could be modified so that we can do that. The stipulation that GTE was using, that's fine for a starting point, but procedurally I don't know how you, on those areas of disagreement, order the parties to stipulate. I guess there's a way to do it and maybe there's a way to do it in Washington, but that could be a way again through this process.

DG: What I'm hearing you say is that what you're proposing sounds a lot like the ROC process we're going through where things try to get worked out on a lower level and then they get passed up to a higher one. As far as what we can do legally here in Washington, my ALJ tells me we're plodding on new ground. So we're probably going to have to take an action item to figure out how to do this process ourselves if we're doing something differently than we are now. But I would like to at least try to go in that kind of a direction.

JF: It is kind of like the ROC process. If we think we're on shaky legal ground here in Washington, who knows what kind of legal ground we're standing on in ROC, and we've just been agreeing through mutual consent more so than fear of any enforcement actions that ROC can take. That's been so far a pleasant experience in that we have been playing nice in the sandbox, but we may have an advantage here of having a little more solid legal ground to stand on as some of these disputes are resolved.

NJ: We would be supportive of that approach, as well. Particularly with regard to using what comes out of the ROC for U S WEST and use of the California measurements that were in the stipulation there. We have systems in place already for the Nevada service standards, which as I understand, are identical to what came out of California, which I believe is what you were suggesting. So for the ILEC division we would be willing to use those as we already have those systems in place. We also like the idea of instead of using the SGAT, to end up with something where either we end up with a Commission order on a stipulation or a rulemaking, just for reasons of enforceability.

BH: I think we would probably support Mr. Finnigan's approach. Again assuming we're leaning toward some kind of a rule as opposed to a tariff or an SGAT approach.

AH: I think staff is looking for a solution to having to continue to go through lengthy, cumbersome processes. I'm really wondering whether, regardless of the sort of unique spin you've put on the process, whether we call it a rulemaking or a stipulation process resulting in a Commission order that adopts specific enforceable standards and measures, whether you can really get away from the fact that what you have to do, in any of those

processes, is have the parties reach agreement where they can and the process will be the simplest if the parties can agree on most things. But ultimately where there's going to be disagreement, and this will be a continuing phenomena, we have to have a method of having that disagreement resolved. And I guess, in the end, after listening to all these parties, MCI WORLDCOM would suggest that the Commission not shy away from rulemaking proceeding because of the fear that the process will be more cumbersome down the road for changing those rules than some of the other alternatives that we've discussed today.

BH: When you're talking about a ROC type process, are you talking about doing it within the context of a rulemaking?

JF: ROC certainly is not in the context of a rulemaking. It's we talk about things, we raise issues, we agree to some issues, we disagree on other issues and where we disagree on issues we give it our best shot in writing and kick it up to a steering committee of Commission staff people, they make a decision. So far we've all abided by the decisions and then we move on. Very informal, ad hoc, it's been working well, but it hasn't withstood any test or challenges on legal basis.

BH: Are you looking toward a document?

JF: We're actually working towards a test plan that will have performance measures in it and it will be used to determine whether or not U S WEST passes a test or, this is military style testing, you test until you pass, you either pass or you re-test. The legal status of that document, it's again I think legally it's a voluntarily document that everybody is agreeing not to complain about throughout the process. What happens after that document, after the test, I know U S WEST has plans to include that in their SGATs, but other than that I don't know that the ROC document will last past that.

BH: I guess I can see a similar process, only the document that goes through that we work out has legal status as a draft rule. And again, where the parties can't agree, the Commission staff typically does a draft. It would be a lot like a rulemaking only just with more rounds, perhaps. We've had cases where we've had a lot of different round of draft rules and I think you can plug that kind of a process into the rulemaking context.

MR: Would you foresee, and this is what I hear many of the parties saying, benefitting from the ROC work? We've all talked about essentially achieving some sort of threshold document that you could start from. And it seems to me that the one other area that all these parties are involved in, at least with respect to U S WEST, is the ROC process.

BH: Somebody mentioned this process might take 18 months. Isn't the ROC OSS suppose to be done by the end of year roughly, next fall maybe. I think we could and I think we could work on a lot of issues where there are kind of different, there may be some overlap but less overlap with the ROC and kind of defer the ROC issues to later on in this

process. I'm not familiar enough with the ROC to know whether we can do this, but another possibility would be to start to develop the benchmarks in anticipation of the measures coming out of ROC since ROC really won't get into that.

JF: We're probably not going to help very much or move things along if we try and do in Washington something ROC is already doing or already has been done in terms of the stipulations that GTE's involved in elsewhere. That's going to be logistically a problem. It's getting to be a tremendous resources issue already, just keeping up with Arizona and ROC and I'm sure GTE has similar concerns in the states it's involved with. What I haven't been able to think through all the time is, if we don't try and replicate or do in parallel what ROC's doing, there's still stuff that potentially could be done in terms of, I'm going compliance and determining how good is good enough and maybe getting at the issue of consequences or remedies if it's determined that the performance is not good enough. What I haven't answered for myself yet is, can those things be done in parallel with what ROC is doing today and what GTE has done in stipulations or do they have to be done sequentially after the measurements are finalized and some of the other stipulation issues, to the extent that there are some in some of the ROC issues, do they have to be fully resolved before we can get at the issue of on-going compliance and adequate service and consequences and I don't have an answer to that yet. My other concern is, to the extent that we do some work, I'd like some protection that at the end of the process we're not going to have one party or the other say this really wasn't official and we're not bound by anything that came out as a result of these discussions or collaborative effort. I would feel much better if we had some sort of protection or some legal standing to have a touchdown with as we're going through the process so we know at the end of the day and at the end of the process we have something that can withstand some legal challenges.

PH: I'm going to start back to your CR-101. As you point out it deals with local exchange, but again it's local exchange carrier to carrier and certainly the tone of the last hour's worth of comments have tended to be ILEC to CLEC only. I don't think we should reach any strong conclusions about the performance measurements until it's clear what the scope of this proceeding is. Listening to what you said about the CR-101, it is local exchange carrier to local exchange carrier, which would mean that these same rules would be applicable to the CLECs in terms of what they might be required to report, the standards that would be applicable to them. The consequences, if any. It would be good to get that resolved or make clear as to which direction we're going on that. From our perspective we do believe that there is a proper sequence and that sequence is to determine what the performance indicators are prior to addressing things such as standards and consequences. The reason we would take that view is that obviously it doesn't make sense to set a standard on something that isn't being measured. There may not be a need to have standards on everything but we ought to look at the full potential scope of what we're looking at for purpose of standards and we'll know that based upon what is being measured. Then from there we ought to look at consequences after we have some idea of what is being measured and particularly the standards against which

something is being measured. So sequentially it is something we would support. John, you made a comment about the statistics and I haven't been a participant in the ROC as much as Mike has. Do you feel like we're fairly well along on statistics or is that still open?

JF: The statistics that we're doing in ROC is more a design of experiment type statistics. Based on a conclusion we want to reach, how many samples do we have to collect. It's not getting at some of the issues you and I had talked about previously. It's more on-going compliance. Instead of ROC, for instance, we're talking about looking at sample size of 135 and there's various statistical points to do that with. On the on-going compliance we're going to be looking at samples in the neighborhood of thousands. There's going to be some differences in how the statistical approach is treated with the on-going compliance and ROC is not yet addressing that. They're looking more at how do you design an experiment so you can reach some statistical conclusions at the end of the experiment. It's going to be looking at the results of the performance on the friendly customers or the dummy orders. It's not necessarily going to be looking at the results of real live commercial usage There may be some overlap but we're not addressing the on-going compliance part of it yet.

PH: To the extent that we have an open issue around statistics, I think that would also need to be dealt with following the standards piece. Brooks raised the possibility of maybe doing some overlapping, for example you could have a separate statistical group working on some of that. So certainly that's something that could be considered, but at the end of the day I think you'd want all those pieces in place in some sort of a sequence rather than assuming that they are all going to come together by virtue of parallel processes. John made the comment about an end of process protection. I don't disagree with that, but one of the things that I'm concerned about, and that the Commission should be concerned about is, are you precluding the parties from negotiating? The more you set forth in the rules the less likely it is that the parties will want to negotiate things. I don't know if that's necessarily the outcome that the Commission really desires. Coming back to our initial comments, we do support the idea of high level directional rules, but it sounds like a lot of these comments are going much more toward get down to every detail. When you do that you do eliminate flexibility which was one of the opening comments that the Commission staff made. How do we keep this thing flexible. How we make it a living document. The more you try to do through these processes, the more encrusted this all becomes and the less flexibility you have. So we do need to keep that in mind if we really do want to have some flexibility. I don't know if the Commission staff had a recommendation about the living document. In the absence of seeing any comments from the Commission staff at this point. But I am curious whether the direction of this discussion this afternoon is taking you any where toward what you were initially contemplating when the comment was made about having flexibility? To the extent you could comment because U S WEST, in it's proposal, was trying to go with something that is relatively flexible and obviously, as pointed out, it's probably not a flexible as some would like, and so we're willing to certainly look at that to see how we

can strive toward better flexibility, particularly to allow some degree of flexibility in contract negotiations. The SGAT proposal, while it is our first position on this, we are somewhat flexible if we can strive towards something that does allow flexibility and does allow the contract negotiation to have primacy, if possible, over the rules themselves.

DG: In terms of staff's need for flexibility, we were trying to see what the parties actually met or what they were presenting in terms both the SGAT and the stipulation agreements, as to whether those were cast in concrete as far as definitions go or not, or whether they could be changed to meet the needs of the parties. As far as staff is concerned, we'd like to at least see this as being a collaborative effort where all parties are able to provide input into process. And where all parties are able to make changes to any documents on a going forward basis if something arises where there are changes in the competitive marketplace and there needs to be changes made to those documents. On the one hand, we don't want to freeze ourselves into some standards that are obsolete a couple years down the road and have to go through a painful process to change. We would like to be able to have process in place that easily allows itself to be amended to meet the on-going needs of the marketplace. We weren't trying to read anything into the definition of the SGAT itself and I guess some of our questions are, how flexible is that SGAT itself? I think the other parties who are here could probably best address whether the SGAT would fit their needs or not.

PH: Probably the most flexibility one does have is through the contracts, which really weren't commented on by any of the parties in light of the specific questions asked in this last notice. But, even in SGAT as someone pointed out, is really our offer. We're willing to make other offers in the course of contract negotiations and that's really where you get the most flexibility between parties, in my view.

DG: I'll agree that you can get more flexibility between parties and the companies. But from Commission staff perspective, we're trying to see some uniformity from each one of the companies toward the parties that they are interconnecting with.

PH: That's why U S WEST supports the idea of at least some level of directional rules which the Commission could then determine, did the standard offer made, in our case we're standing by our SGAT, whether that in fact conformed with the general direction of the Commission. Since you're going to address that in part, could you also comment on about the scope of these rules, whether it's limited to just ILEC to CLEC or if in fact it's contemplated that these will be LEC to LEC type rules.

DG: The title of the rulemaking says "telecommunications carrier to carrier service standards for the interface of interconnecting local exchange carriers". It's kind of open ended right there. It doesn't appear to be one way.

LB: Looking at the scope of a rulemaking, while the subject of the possible rulemaking is referred to by Mr. Griffith is a key indicator of what the rule subject is, the Commission

or the state also looks to the reasons section of the CR-101. Reasons why rules on this subject may be needed and what they might accomplish. For further guidance of what the scope of the rulemaking is, and in brief the reasons stated, tend to focus on the need for CLEC's to serve their customers in the same manner as incumbents. But that the CLECS ability to serve their customers may be impacted or affected by carrier to carrier interface and standards that relate to the service between carriers before the service is provided to CLEC customers. We've heard that CLEC's, if they do not receive predictable and consistent service from incumbents they cannot deliver predictable and consistent service to their customers. When you look at the reasons why the rules on this subject may be needed and what they might accomplish that, in my opinion, is the focus.

PH: To the extent that a CLEC becomes a facilities based CLEC, would the rules be applicable in that instance? Say for example if the new business park opens up and CLEC X gets the contract to provide the service in that area and then later on the customers wants to use, say U S WEST's services, do you contemplate the rules would be applicable to the CLEC in that case serving as the incumbent?

LB: That gets into a substantive area where the assistant AG may be in a better position to advise staff.

DG: There is another rule on our books that deals with service quality for the local exchange carriers. It's staff's position that that rule would also apply to the CLEC's. What we'd probably run into in this particular proceeding is if somehow the incumbent local exchange carriers are not able to provide service to the CLECs in a timely fashion, it could impact what the CLECs are actually required to provide to their customers. Even though they have some requirements, in many cases they may be dependent upon the incumbents to be able to fulfill that requirement.

DD: One thing that Mr. Griffith said earlier is try to make the process transparent to the end user customer. I think that needs to be our primary focus. I think in most cases we're going to see arguments between the ILEC and the CLEC and hopefully that will be a positive thing to the customer. But I think the staff and the Commission are here to make sure that is the best result for the consumer. I think we've been bending around the terms of ILECs and CLECs and IXCs and due to merges and U S WEST wanting to get into the inter-exchange business and all these things going on, we actually are having several vertically integrated companies going back to the way things used to be back before 1984. So even though we may have separate subsidiaries and things like that, due to conflicts of interest, we still have to be very careful that it's going to be a complex world again.

PH: Keeping in mind that comment about vertical integration, is it possible that a company that today is a CLEC could become an incumbent? Or as I hypothesized, we would become and inter-exchange carrier as well a local exchange carrier. I take it then that the Commission is contemplating rules that are not necessarily focused on the three

companies of U S WEST, GTE and Sprint, but rules that are applicable to companies that are at least facilities based within a particular area. I'm wondering if at least facilities based ought to be kind of the base companies as far as who these rules would ultimately be applicable?

JF: I think one thing we can't ignore is that there are different obligations on ILECs and CLECs. There are of course, obligations for all LECs outlined in the telecom act, but generally speaking the obligations on CLECs don't include things like non-discrimination obligations. Certainly in the example you suggested, CLECs would be in a position where they would probably have to offer number portability if the customer signed up new and that's an obligation that CLECs would have. If U S WEST were looking to obtain say an unbundled loop from a CLEC, I don't think there's a obligation, per say, in the telecom act that says CLECs have an obligation to provide unbundled network elements. I don't know what the state of the law is in Washington. But, I would envision if there was any requirement on the CLEC to provide that unbundled loop it would fall under area of adequate service more so than non-discrimination service. To the extent that a CLEC was required to provide that unbundled loop it would be consistent with an adequate service standard rather than a non-discrimination standard.

PH: Let's use AT&T for an example with the cable company. If your cable company starts providing local service, what I'm understanding you to say is then, perhaps the adequacy portion of the rules would applicable to them but not necessarily the unbundling requirements.

JF: When I talked about adequacy, I was talking in the context of as opposed to non-discrimination obligations. What we would have to provide, in terms of the network facilities, number portability, if the customer signed up new for we, would be something that we'd have to offer to U S WEST. I don't know what our obligation would be to offer our cable lines. I don't know if that's considered a cable facility or an unbundled loop. Let's assume, for the sake of argument, that we consider it an unbundled loop. If we had an obligation to provided an unbundled loop, I don't think that obligation would legally carry with it a non-discrimination obligation. The most it could carry with it is an adequate service obligation imposed by the state of Washington such that, maybe the obligation is you provide unbundled loops 95% of the time and five days. If it were the case that the cable line was considered an unbundled loop, that would be the obligation that we would have to meet.

GK: I'd like go back to the issue that was raised or discussed by Perry in terms of the flexibility of individual contract negotiations. On that issue we have the difference between theory and practice. Certainly, in theory, individual contract negotiations can lead to greater flexibility. In practice, that has not been the case when it comes to service quality. We've engaged in many negotiations with both U S WEST and GTE and our experience is that both ILECs are willing to provide, at least in the case of GTE, their emphasis is on uniformity and they're willing to provide, for example, what they've

agreed to do in California, sort of a system-wide report or whatever they've agreed to in terms of measures in these other proceedings, but nothing more than that. U S WEST is probably even less flexible than that. On behalf of my clients, I think I can safely say that they would trade that theoretical flexibility for industry standard established measures and remedies because, in practice, that's the most we can expect, anyway.

DG: I'll respond to what staff means by flexibility. What we're trying to achieve is the ability to be flexible enough to make universal changes. We're not trying to focus on individual company contract flexibility, it's the flexibility to go in and look at a global changes that effect everyone and being able to do it quickly and efficiently, without having to bog down the process.

GK: I think that's an admirable goal. But I think, again, we have the practical realities as GTE's experience has been in California, is it takes a long time to develop these. If you want to make changes that should be also as a result of industry consensus, and that's just not something that develops immediately. So, while I agree that there needs to be flexibility, and certainly more flexibility than you would have if you had a rule that's an inch thick that tries to detail all of this, I do think that you are limited in your ability to be completely flexible just by the nature of the process that you've got a lot of folks with divergent interests. To try and reach some consensus, or if not, bring that issue to the Commission. The very nature of that is going to take some and it's not going to be something that's easily accomplished, but that's not to say that we don't think that that's the way to go, but when you're talking about flexibility, it's a really relative term.

DG: It is relative and my term of flexibility is less than maybe 12 months.

BH: Think about the options that are on the table here, SGAT, tariffs, and rules, and you've got, with SGAT, let's say the staff wants to initiate a change. I'm not sure under the SGAT procedure you have any capability to do that. It seems pretty much in control of the ILEC. The ILEC has the flexibility, but it's not a bilateral flexibility. Then there's tariffs. The tariff process, unless there's consensus or agreement, typically involves a complaint either on a filing by the company and a suspension by the Commission or the filing of a complaint on the Commission's own motion. That's a long process that's typically at least nine or ten months and it's an expensive process involving hearings. Then you've got rulemakings and this first one will undoubtably take more than a year. One would hope that you could fine tune the rules in the future in more of the time frame that you are thinking of less than a year. I think it's important to note that it's the CLEC's who are pretty much universally supporting a rule. Also, it's important to note that I think that the direction has been since 1996, that flexibility and the developments tend to move more toward the CLEC position and the changes that come about tend to benefit the CLECs. So, the fact that we're telling you we need to lock something in means that we're taking the risk of the inflexibility, because the benefits outweigh that. We're taking a risk that in the next developments that come along, maybe it's developed in another state and we want to try and get it here, that we'll have to go through a

rulemaking process or some kind of process and we feel that's preferable to being in the SGAT situation where we feel like we don't really have any mechanisms available to us.

JF: There's probably no good way or no efficient way or as efficient as we would all like to do it, but rulemaking may be the lease objectionable way to accomplish this.

DG: Would that mean you to say that the stipulation agreement would not be favorable either or would it be something in between a rulemaking and the SGAT?

GK: From our perspective, you want to have some basic rules that set a framework in that there will be some specifics that would just be too detailed. Take a look the LCUG standards, for example. I can't really realistically envision that as a Commission rule. But I do think that there is room to have a framework and then something that adds flesh on those bones. And something more like the process that GTE has described in California and Nevada in terms of everybody getting together a workshop trying to work things out, to the extent that they can't then they bring issues to the Commission for resolution. We need to have some sort of document that reflects industry consensus or Commission resolution of disputed issues, as opposed to something that would be, whether you call it an SGAT or a tariff or something else that doesn't really fit into that sort of industry developed mode as opposed to one carrier proposes and everybody else piles on or agrees with.

DG: Does anyone else have any comments that they wish to make?

PH: Did I understand the last bit of comments basically saying that even from the view of those CLECs at least, that even a stipulation, perhaps in the manner discussed by GTE is not something that they would amenable to?

GK: Just the opposite. We were saying that that is something that we would think that would be one way of procedurally handling very detailed issues that need to be resolved, but within in the framework of having general rules.

PH: I guess I'm maybe not understanding what you mean by within the framework of having general rules.

GK: We're talking conceptually here, I'm not (turned tape over)...to particular UNEs. Again, we haven't really sat down and, in this process yet, and proposed any rule language that would do that and we would hope that that would be the next step in this process would be to give folks an opportunity to come up with what we think would be appropriate general rules and then also start the process of, whether we work off of what's been done in California or LCUG or something else that's already been done, build on what industry consensus there is and adapt that to Washington to the extent that it's necessary and come up with both some general rules and a document that can be the living document that staff had referred to earlier in terms of working through the nitty gritty of

these issues.

DG: I would go along with what Greg has proposed and it looks like we need another round of comments. In this next round I would envision seeing a proposal of what would constitute some general rules, if any, to be used in this document and then on top of that, what kind of living document should go along with that. If it's a stipulation agreement, how would the stipulation agreement be developed and how would it be maintained and how would it be changed. It may be two living documents because of U S WEST and GTE being in different situations.

GK: What might be helpful is if there are examples of what people would propose. For example, the stipulation in California or Nevada or whatever is the latest and greatest in terms of developing standards for GTE is so that we can have something a little more concrete than just the concept of we ought to use in this kind of document. I think we've been at this long enough that we're ready to get down and roll up our selves and start working.

DG: I agree that it's time to have something in front of us to look at.

PH: Is Sprint considered an ILEC or a CLEC?

EH: Just to clarify, we are not the third largest ILEC in the state. I believe we're the fourth. Sprint's position on performance standards, performance measurements, is uniform throughout the corporation.

PH: Would these rules be applicable to Sprint as an ILEC?

EH: Yes.

PH: Who's the third largest?

NJ: Century is the third largest. What we were advocating is that we would end up with at least two different measurements. We would use what comes out of the ROC for U S WEST and for our local division here, we're willing to abide by the Nevada service standards, which I believe are the same as California, because we have those systems in place already.

DG: We'll be sending a notice out and we'll put a date in it for having more comments.

AH: There's a lot going on all over this region, so keep that in mind. Maybe two weeks between submittals.

BH: Maybe keep in mind some of the contested cases briefing dates as well.

DG: Adjourned.