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June 28, 1996

Connie E. Nicholas
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GTE Telephone Operations
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RE: Letter of Authorization and Change As Is

Dear Connie,

It has come to my attention that the Commissions in California, Texas, and Ohio have addressed the issue of letter of authorization with regard to local exchange customer transitioning. In each instance, the Commission has chosen to follow the type of procedure that AT&T is proposing to GTE. The Commissions are using the federal anti-slamming procedures as guidance.

The California decision is found in Resolution T-15932, dated June 19, 1996. It was issued by the Commission Advisory and Compliance Division after reviewing the wholesale tariffs filed by GTE California. The Texas Decision is the Order of Remand in PUC Docket No. 14659, SOAH Docket No. 473-95-1210. I do not have the date of issuance. The Ohio decision is found in the final order in Case No. 95-845-TP-COI, issued June 12. I am attaching the pertinent portions of each document.

Of particular interest is the statement in the California Resolution that GTE took the position that it would only require a LOA from a customer in the event of a dispute. This appears to be a different position from the one GTE has presented in these negotiations.

In view of these decisions, I urge GTE to reconsider its position on letter of authorization. This is an issue which we should be able to resolve between the parties. GTE's interest in "change as is" versus other types of orders indicates a recognition that AT&T's proposed procedures are more efficient and cost effective for both of us. For your ready reference, I am also attaching another copy of our proposed Limited Blanket Agency Agreement.

It might be helpful for us to discuss this issue prior to our July 3 executive call. Would a call at 9 am CDT on July 2 be convenient to discuss this issue? My secretary, Geri Gowers, will call on Monday to confirm call arrangements.

Very truly yours,

Joyce Beasley

AGBH 000434

001447

Attachments

cc: Pat Walsh
Reed Harrison
Ron Shurter

AGBH 000435
001448

California Order

DOUBLE
SIDED

AGBH 000436

001449

June 19, 1996

to number, number of access paths, and alternate billing services. The Coalition states that the only nonrecurring charge approved by the Commission is a \$4.15 installation charge. All other nonrecurring charges were either rejected by the Commission or not addressed.

Pacific replies that the \$45.15 nonrecurring charge for changes to DNCF was contained in Pacific's original draft tariff filed in September 1995. Decision 96-04-052 did not specifically order Pacific to change or eliminate this charge.

2. Retail Rates

The Coalition states that Pacific's tariff inappropriately includes a retail rate for number referral service upon disconnection, while GTEC's tariff inappropriately includes a retail rate for DID service. The Coalition argues that according to D.96-04-052, all rates for wholesale INP must be based upon direct embedded costs (DEC). Pacific and GTEC should remove all rates not set at DEC as well as any charges that are not in the local exchange carriers' current retail RCF tariffs.

Pacific responds that the retail rate for referral of calls is the same rate charged to any RCF customer. D.96-04-052 disallows the installation charge for referral of calls but does not specifically disallow the monthly charge.

GTEC states that DID rates contained in its tariff are not retail rates, but are DEC rates developed in IRD. GTEC states it will modify these DID tariffs as appropriate pending a Commission order on DID.

3. Letter of Authorization

The Coalition protests that Pacific's and GTEC's tariffs require a CLC to obtain a written letter of authorization (LOA) from the CLC's customer before discontinuance of existing utility exchange service and provision of INP service. The Coalition states that this requirement inappropriately allows the incumbent utility to regulate its competitor. Further, the Coalition states that this LOA requirement extends beyond the verification rules set forth in Public Utilities (PU) Code Section 2889.5.

Pacific responds that LOA requirements were contained in Pacific's September 1995 draft tariff filing. Because Ordering Paragraph 1 of D.96-04-052 ordered Pacific to file tariffs conforming to prices, terms and conditions set forth in its draft tariff filing "except for the modifications set forth below," Pacific argues that the LOA requirements are valid. Further, Pacific states it will only request the CLC produce a LOA in the event of a dispute.

GTEC also responds that it will only require a LOA from the CLC in the event of a dispute or discrepancy. GTEC claims this requirement complies with PU Code Section 2889.5.

paths, and/or 3) alternate billing services constitute a new DDCF order and a nonrecurring charge of \$4.15 would apply.

2. Retail Rates

The April 1996 decision concludes that INP rates should be based on DEC (D.96-04-052, Conclusion of Law 2, pg. 70). Pacific's tariff for wholesale INP includes a monthly charge for referral service after disconnection based on the retail rate for this service. However, the tariff does not make clear that under the retail tariff, this referral is free for residential customers for three months and for business customers for 12 months or until the next directory issue date, whichever is longer. CACD recommends that this same free referral period apply for DDCF, with the same distinctions for business and residential customers. Pacific should clarify in its tariff (Schedule A.20.1.D.3.a) that the monthly charge is only applicable following the free period. Further, Pacific should revise the monthly charge to DEC to be consistent with D.96-04-052.

With regard to the Coalition's protest of GTEC's DID rate, CACD notes that D.96-04-052 directs the LECs to file DEC-based tariffs for DID service following the Commission's subsequent order on DID. This order on DID is pending at this time. Therefore, GTEC should remove all references to DID service from its SPNP tariff until further notice from the Commission (Schedule K-4, Original Sheet 8, Item IV.B and Original Sheet 9, Item V.B).

3. Letter of Authorization (LOA)

CACD agrees with the Coalition that PU Code Section 2889.5 does not require a written LOA in all circumstances. The code states that if a subscriber is solicited by telephone or by some other method, the corporation must verify the subscriber's decision to change service providers through either 1) a follow-up call 2) a prepaid confirmation postcard 3) customer signature, or 4) electronic means. CACD considers it unreasonable for LEC tariffs to mandate a CLC to obtain a written LOA because this goes beyond PU Code requirements. In any event, it is the CLC's responsibility to comply with PU Code Section 2889.5 to protect itself from slamming allegations. Therefore, CACD recommends that Pacific and GTEC remove references in their tariffs to CLCs obtaining LOAs (Pacific tariff A.20.1.B.1.g and GTEC tariff K-4, Original Sheet 5, Item III.5). Instead, Pacific and GTEC should either paraphrase PU Code Section 2889.5 or state that that CLCs must comply with it.

Resolution 3932
Pacific 1816/GTEC 8067/DOT

June 19, 1996

included in the directory assistance database. While Pacific did revise this language in its filing, CACD recommends that Pacific further clarify this language to state that Pacific "will" furnish a primary listing and "will" furnish a directory assistance listing (Schedule A.20.C.1).

FINDINGS

1. In D.96-04-052, the Commission adopted wholesale rates for INP based on direct embedded costs.
2. The Commission rejected the NRCs proposed by Pacific for INP services in D.96-04-052.
3. The Commission should reject Pacific's proposed \$45.15 charge for changes to DNCF.
4. Pacific's tariff should state that changes to DNCF service constitute a new service order and a \$4.15 nonrecurring charge will apply.
5. Pacific should revise its DNCF tariff to offer the same free referral period after disconnection that is contained in its retail tariff.
6. After the free referral period, Pacific should charge a monthly fee for number referral based on direct embedded costs.
7. The Commission has not resolved all issues pertaining to INP service using DID.
8. GTEC should remove all references to DID service from its SPNP tariff until further notice from the Commission.
9. Public Utilities Code Section 2889.5 does not require a written letter of authorization in all circumstances.
10. Pacific and GTEC should remove language requiring CLCs to obtain an LOA.
11. Pacific's and GTEC's tariff should either paraphrase PU Code Section 2889.5 or state that CLCs must comply with it.
12. Pacific and GTEC should revise their tariffs to provide a complete list of services that are not available with wholesale INP and explain why these services are not available.
13. GTEC's Rule 17 allows the utility to make reasonable changes to a customer's telephone number.
14. The Commission should closely examine any proposed changes to numbers ported to CLC customers.
15. Provisions of GTEC's SPNP tariff regarding LIDB should be identical to the conditions under which LEC customers receive access to LIDB.

Resolution T 932
Pacific 18165, STEC 8067/DOT

June 19, 1996

16. GTEC should revise its SPNP tariff to state the reasons the LIDB indicator may fail.
17. Pacific should revise its DNCF tariff to state that it will furnish a primary listing and a directory assistance listing for numbers forwarded using DNCF.

THEREFORE, IT IS ORDERED that:

1. Pacific Bell shall file a supplement to Advice Letter 18165 within five days from the date of this order to revise its Directory Number Call Forwarding (DNCF) tariff as follows:
 - a. Remove the \$45.15 charge for changes to DNCF and clarify that changes to 1) the forwarded to number, 2) the number of access paths, and/or 3) alternate billing services constitute a new DNCF order and a nonrecurring charge of \$4.15 applies.
 - b. Offer the same free referral period for number referral upon disconnect that is currently offered to retail business and residential customers.
 - c. Modify the monthly rate for number referral after the free period to a rate based upon direct embedded costs.
 - d. Remove all language requiring competitive local carriers to obtain a written letter of authorization and replace this language with a reference to or paraphrase of Public Utilities Code Section 2889.5.
 - e. Provide a complete list of services that are not available with DNCF.
 - f. State that a primary listing and a directory assistance listing will be provided.
2. GTE California shall file a supplement to Advice Letter 8067 within five days from the date of this order to revise its Service Provider Number Portability (SPNP) tariff as follows:
 - a. Remove all references to Direct Inward Dialing service until further notice from the Commission.
 - b. Remove all language requiring competitive local carriers to obtain a written letter of authorization and replace this language with reference to or paraphrase of Public Utilities Code Section 2889.5.
 - c. Provide a complete list of services that are not available with SPNP.
 - d. State the reasons the Line Information Data Base (LIDB) indicator may fail.

Ohio Order

AGBH 000440A

001454

Case No. 95-845-TP-COI
Appendix A

-69-

G. Service Quality Compatibility

Each LEC is individually responsible for the quality of service it provides. Where requested, however, and to the extent technically feasible, LECs may implement joint network management controls to further overall service integrity. Where such monitoring is not technically feasible on the part of the NEC, the ILEC, if technically feasible, will perform these functions on the NEC's behalf, subject to time and materials charges, as mutually agreed upon.

H. Federal Requirements

Each LEC is solely responsible for participation in and compliance with any federally mandated technical standard requirements.

I. Support Functions

LECs are not responsible for providing services to each other's end users; however, where one LEC's limitation or lack of facilities dictates, the competing parties must establish arrangements to ensure that support functions (e.g., 9-1-1, operator services, directory assistance, telecommunications relay service, etc.) are available to the customers of both LECs.

XVIII. CONSUMER SAFEGUARDS

A. Customer Education

LECs are responsible for providing their customers with informational, promotional, and educational materials explaining the carrier services, rates, and customers' options. Such materials must also be submitted to the Commission's Consumer Services Department and OCC. These materials include, but are not limited to, the notices required by Section VI. of these guidelines. In those situations where a notice requirement has been or will be placed on LECs by the Commission, such notice requirement takes precedence over this section. These materials shall be written in such a way that allow customers to make comparisons between comparable services. Such information should include basic information such as:

1. An explanation of the nature of the service, its application, and any restrictions or limitations;

Case No. 95-845-TP-COI
Appendix A

-70-

2. If services are bundled, an identification and explanation of individual service components and associated prices;
3. An identification and explanation of any one-time, non-recurring charge(s);
4. An identification and explanation of recurring charge(s) (i.e., usage, access, etc.); and
5. An identification of any special attributes of this service.

The Commission may require, review, or request modification of customer notices, billing information, or other customer education materials. Copies of all informational and educational materials for residential services shall be provided to OCC at the same time such materials are provided to the Commission.

B. Marketing Practices

1. No LEC shall commit an unfair, deceptive, or unconscionable act or practice in connection with a consumer transaction. Such an unfair, deceptive, or unconscionable act or practice by a LEC violates these guidelines whether it occurs before, during, or after the transaction.
2. Engaging in any of these unfair, deceptive, or unconscionable acts or practices constitutes unjust, unreasonable, and inadequate service under Section 4905.26, Revised Code.
3. No LEC shall make any offer for services in written or printed advertising or promotional literature without stating clearly and conspicuously in close proximity to the words stating the offer any material exclusions, reservations, limitations, modifications, or conditions. Disclosure shall be easily legible to anyone reading the advertising or promotional literature and shall be sufficiently specific so as to leave no reasonable probability that the terms of the offer might be misunderstood.
4. Offers made through radio or television advertising must be preceded or immediately followed by a conspicuously clear and oral statement of any specific exclusions, reservations, limitations, modifications, or conditions.

Case No. 95-845-TP-COI
Appendix A

-71-

5. All LECs are prohibited from the practice of advertising or offering goods or services as "free" when in fact the cost of the "free" offer is passed on to the consumer by raising the tariffed price of the goods or services that must be purchased in connection with the "free" offer.
6. Subscriber enrollment shall only occur upon the customer affirmatively selecting (positive enrollment) the pertinent service(s). Negative enrollment by the LECs shall not be permitted unless otherwise ordered by the Commission.
7. It shall be the duty of the LEC to preserve the privacy of customer proprietary information and transactions to acquire local exchange service and protect such information and transactions from commercial abuse.

In addition to the guidelines on CPNI set forth in Section XI.C. of these guidelines, a LEC or any LEC affiliate shall not, without the prior affirmative, written consent of the customer, provide to any telecommunications equipment manufacturer or telecommunications provider CPNI for use with or in connection with the manufacturing of telecommunications equipment or the provision of local exchange, interLATA, information, enhanced, or video services that are disseminated by means of such LEC's or any of its affiliates' facilities.

8. All LECs shall comply with all existing and future Commission orders relating to customer notice/education requirements (e.g., inside wire). Failure to comply with such requirements violates the MTSS, Rule 4901:1-5-23 (A), Ohio Administrative Code, which requires that "each local exchange company shall provide the information and assistance necessary to enable an applicant or subscriber to obtain the most economical local exchange company-provided services conforming to his or her stated needs." Further, the Commission may seek appropriate remedies under Sections 4905.54 and 4905.57, Revised Code.
9. If, upon complaint of a customer or upon its own motion, the Commission finds that the practices of any LEC with respect to the marketing of its services or products are unjust or unreasonable, the Commission may require the practices of such LEC to be discontinued and/or may prescribe the practices to be observed by such LEC in its marketing of regulated services.

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P. 04

AGBH 000440D

001457

Case No. 95-845-TP-COI
Appendix A

-72-

10. The Commission's Consumer Services Department shall oversee LEC marketing practices by:
 - a. Monitoring complaints received by the Public Interest Center regarding LEC marketing activities;
 - b. Reviewing sales scripts and marketing manuals utilized by LEC sales and customer service personnel when deemed necessary to monitor marketing practices;
 - c. Reviewing LEC advertising and promotional literature when deemed necessary to monitor marketing practices;
 - d. Monitoring live telephone sales presentations by customer service representatives when deemed necessary to monitor marketing practices;
 - e. Recommending needed procedure modifications; and
 - f. Providing regular updates to the Commission regarding the Consumer Services Department's findings.

C. Local Service Carrier Subscription/Slamming

1. No subscriber's LEC may be changed unless and until the change has first been confirmed in accordance with one of the following procedures:
 - a. A subscriber's LEC may be changed when the LEC has obtained the subscriber's written authorization on a letter of agency (LOA) that explains what occurs when a subscriber's LEC is changed.
 - i. The LOA shall be a separate document and its sole purpose is to authorize a LEC to initiate a primary LEC change. If the subscriber will incur a charge as a result of changing LECs, the LOA must contain a notification to the subscriber that a charge will be assessed to him/her as a result of the charge. The LOA must be signed and dated by the subscriber to the telephone line(s) requesting the carrier change.
 - ii. The LOA shall not be combined or utilized in conjunction with promotions (e.g., sweepstakes) of

Case No. 95-845-TP-COI
Appendix A

-73-

any kind. The LOA may be combined with checks that contain only the required LOA language described below and the necessary information to make the check a negotiable instrument. The LOA check shall not contain any promotional language or material. The LOA check shall contain, in easily readable, bold face type on the front of the check, a notice that the consumer is authorizing a primary LEC change by signing the check. The LOA language shall also be placed near the signature line on the back of the check.

- iii. At a minimum, the LOA must be printed with a type of sufficient readable size and type to be clearly legible and must contain clear and unambiguous language that confirms:
 - a. The subscriber's billing name and address and each telephone number to be covered by the LEC change order;
 - b. The decision to change the LEC from the current LEC to the prospective LEC;
 - c. That the subscriber designates the LEC to act as the subscriber's agent for the LEC change;
 - d. That the subscriber understands that only one carrier may be designated as the primary LEC for any one telephone number. Any carrier designated as the primary LEC must be the carrier directly setting the rates for the subscriber; and
 - e. That the subscriber understands that any change in LECs may involve a charge for such change.
- iv. LOAs shall not suggest or require that a subscriber take some action in order to retain the subscriber's current LEC.
- b. A subscriber's LEC may be changed once the new LEC has obtained the subscriber's electronic authorization, placed from the telephone number(s) for which the service is to be changed, that confirms the information described in Section XVIII.C.1.a.

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P. 06

AG BH 000440F

001459

Case No. 95-845-TP-COI
Appendix A

-74-

above to confirm the authorization. LECs electing to confirm changes electronically shall establish one or more toll-free telephone numbers exclusively for that purpose. Calls to the number(s) will connect a subscriber to a voice response unit, or similar mechanism, that records the required information (including questions and responses) regarding the change of providers, including automatically recording the originating Automatic Number Identification (ANI); or

- c. A subscriber's LEC may be changed by way of an appropriately qualified and independent third party operating in a location physically separate from the telemarketing representative obtaining the subscriber's oral authorization to submit the change order that confirms and includes appropriate verification data (e.g., the subscriber's date of birth or social security number).
2. Requests for a change of LEC may take place immediately upon request. However, within three business days of the subscriber's request for a change of LEC, the new LEC utilizing enrollment options in Section XVIII.C.1.b. or c. above must send each new subscriber an information package by first class mail containing at least the following information concerning the requested change:
- a. The information is being sent to confirm a telemarketing order placed by the subscriber within the previous week;
 - b. The name of the subscriber's current LEC;
 - c. The name of the new LEC;
 - d. A description of any terms, conditions, and/or charges that will be incurred;
 - e. The name of the person ordering the change;
 - f. The name, address, and telephone number of both the subscriber and the soliciting LEC;
 - g. An LOA and postpaid envelope (the LOA should contain the information outlined in Section XVIII.C.1.a. above and should be returned to the soliciting LEC to be kept on file to confirm the subscriber's selection); and

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312 230 8038

P. 07

AGBH 000440G

001460

Case No. 95-845-TP-COI
Appendix A

-75-

- h. The address and telephone number of the Commission's Consumer Services Department for consumer complaints.
3. The verification procedures described above are not intended to substitute for written authorization from subscribers as evidence in a LEC change dispute. LECs must obtain LOAs for use in resolving disputes regarding all changes in subscriber service. Any LEC that violates the verification procedures described above and collects charges for the provision of local service from a subscriber shall rerate the subscriber's calls and be liable to the LEC previously selected by the subscriber in an amount equal to all charges paid by such subscriber after such violation. Additionally, the subscriber may file a complaint under Section 4905.26, Revised Code, and the Commission may seek additional penalties and remedies against the offending LEC under Sections 4905.54 and 4905.57, Revised Code, and any other applicable statute.

D. End User Complaints

An end user may contact the Commission's Consumer Services Department to lodge an informal complaint against a LEC. A formal complaint filed by an end user against a LEC will be considered by the Commission pursuant to Section 4905.26, Revised Code.

XIX. REGULATORY OVERSIGHT

A. Principle

The Commission has an obligation to ensure that the regulatory framework for competing LEC is and remains consistent with the policy of the state as set forth in Section 4927.02, Revised Code.

B. Monitoring of Competitive Market for Local Exchange Services

1. The Commission shall monitor the implementation of the regulatory requirements prescribed to effectuate competition in the provision of local exchange services, as well as the impact of such requirements upon the local services market and the customers.
2. The Commission reserves the right to impose alternative requirements upon LECs in the event it determines modifications to the adopted guidelines are necessary or advisable to ensure an

Case No. 95-845-TP-COI
Appendix A

-76-

effective, competitive marketplace or as required by public interest considerations.

3. No later than three years after the adoption of these guidelines, the Commission shall review, on an ILEC-specific or industry-wide basis, the continuing appropriateness of the guidelines adopted herein in view of the number and size of alternative providers of local exchange services in the respective ILEC's service area, the extent to which services are available from alternative providers in the relevant market, the ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions, and other indicators of market power, e.g., market share, growth of market share, ease of entry, and the affiliation of providers of services. The procedures to be followed in implementing any company-specific changes resulting from such review shall be determined with respect to the applicable form of regulation under which the company is operating at the time.
4. Should an ILEC desire to be relieved of certain duties, and responsibilities established by these guidelines prior to the Commission's review pursuant to Section XIX.B.3., it may request such relief in an alternative regulation proceeding pursuant to Section 4927.04, Revised Code, or in a proceeding filed pursuant to Section 4927.03, Revised Code.

C Resolution of Disputes Among Carriers

Under its authority pursuant to Section 4905.26, Revised Code, the Commission will consider carrier-to-carrier complaints. The Commission will issue a procedural entry in a case within 60 days of the filing of the complaint, and will endeavor to conclude the case within 180 days.

Texas Order

AGBH 000440J

001463

SOAB DOCKET NO. 95-95-1210

12. *Treatment of EUCL and Interstate CCL*--PURA95 §3.453(c)(1) states that "[t]he [C]ommission may only approve a usage sensitive rate that recovers the total long run incremental cost of the loop on an unseparated basis, plus an appropriate contribution to joint and common costs..." This provision contemplates the incumbent LEC's recovery of interstate costs associated with the local loop in the usage sensitive rate. This inclusion of interstate costs in the rate is justified because FCC regulations, on their face, do not permit the incumbent LEC to charge an LSP either the end user common line charge (EUCL) or the interstate carrier common line (CCL) charge, both of which are the means by which the incumbent LEC has historically recovered interstate costs associated with the local loop. To the extent, however, that an incumbent LEC obtains a waiver from the FCC that permits it to directly collect the EUCL and/or interstate CCL charges associated with the purchased local loop from the LSP, the usage-sensitive rate should be adjusted to eliminate any double-recovery. This adjustment for EUCL and CCL revenues should be made on a per line basis, rather than a weighted average.

13. *Municipal Franchise Fees*--The same municipal franchise fee applied to the incumbent LEC's other services will equally apply to services purchased under its loop resale tariff.

14. *Rate Design*--The Commission finds that the appropriate rate design for the usage-sensitive loop is a statewide average rate. A rate design that de-averages rates based on the underlying costs may diminish incentives to provide facilities-based competition, inhibit nonfacilities-based competition in rural areas, and impact incumbent LEC revenue streams currently used to support universal service. The Commission will be moving to a system in which universal service support mechanisms are made explicit to both the parties who pay for the support and those who receive such support.

15. *Selection and Changing of Carriers*--For purposes of addressing the selection and changing of carriers providing local service, the incumbent LECs' loop resale tariffs should mirror the rules of the Federal Communications Commission (FCC) with regard to the selection and changing of interexchange carriers (IXCs). The four methods specified in those rules reasonably balance the need to protect consumers against slamming, the need for ordering convenience, and the need to

AGBH 000440K

001464

avoid undue barriers to competition. Furthermore, SWB should delete its proposed \$100.00 unauthorized change charge from its loop resale tariff. Under §258(b) of the Telecommunications Act of 1996,¹⁰ a telecommunications carrier that fails to properly verify a change in a subscriber's selection of a carrier and collects charges from that subscriber for service must reimburse the customer's authorized carrier for any revenues lost as a consequence of the slamming. The Commission finds that this provision in the federal statute provides adequate deterrence against slamming.

16. *Disconnection of Carriers*--An incumbent LEC should be required to promptly notify an LSP whenever it receives a disconnection order from one of the LSP's customers. This notification should facilitate the management of services, networks, and billing, thereby resulting in reduced expenses and fewer instances of slamming.

17. *Notice to Customers of Carrier's Cessation of Operations*--The Commission concludes that the provisions related to the discontinuation of service in PURA95 §3.2595 sufficiently address the issue of notice to customers of an LSP's cessation of operations.

18. *Miscellaneous Issues*--With the exception of the issue of dispute resolution, the Commission concurs in the conclusions reached in Section XIV of the PFD. The resolution of disputes involving technical publications variances will be governed by the recently enacted Telecommunications Act of 1996.

II. Issues on Remand

On remand, the ALJ shall address the following issues:

1. *Types and Technical Specifications of Loops*--The issues on remand are: (a) can a combination of two 2-wire analog voice grade loops be provided by the incumbent LEC as the technical equivalent

¹⁰ Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) (to be codified at 47 U.S.C. §§151 *et seq.*).

Limited Blanket Agency Agreement

AGBH 000440M
001466

LIMITED BLANKET AGENCY AGREEMENT

THIS AGREEMENT is made and entered into as of this ____ day of _____, 1996 by and between (insert appropriate AT&T entity name), a Certified Local Exchange Carrier ("CLEC") and (insert appropriate GTE entity name).

WHEREAS, CLEC will be providing local exchange service to subscribers in [Name of state];

WHEREAS, the parties will be exchanging service orders for local telecommunications service with regard to their respective subscribers in [Name of State];

WHEREAS, the parties are desirous of implementing an orderly and legal process for the exchange of such orders.

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. Good Faith Exchange. CLEC and _____ do hereby agree to exchange service orders in good faith for the purpose of provisioning local telecommunications service to their respective subscribers in the State of _____.
2. Compliance with Law. Each party shall comply with all applicable governmental statutes, laws, rules, regulations, ordinances, codes, directives, and orders (whether federal, state municipal or otherwise, including without limitation, the rules and regulations of the [insert appropriate state agency name] and is solely responsible for its compliance with all such laws arising out of or relating to its obligations associated with such service orders.
3. Term. The term of the Agreement shall be for one year from the Execution Date unless earlier terminated. Upon expiration, the Agreement shall automatically renew for additional one year terms unless and until one of the parties provides written notice of termination to the other.
4. Mutual Right to Terminate. Either party may terminate the Agreement if:
 - a) there is a material breach of the Agreement by the other party which is not cured within 30 days after receipt of written notice to the breaching party;
 - b) without cause upon 90 days written notice.
5. Indemnification. Each party (the "Indemnifying Party") agrees to indemnify and hold the other party (the "Indemnified Party") harmless from and against any and all claims, proceedings, actions, damages, costs, expenses and other liabilities incurred by, or threatened, imposed or filed against, any Indemnified Party (including, without limitation, court costs and reasonable attorney fees) resulting from the breaching party's submission of an improperly prepared or incorrect exchange service order.
6. Notification and Control. If any claim for indemnification arises under this Agreement, the Indemnified Party shall notify the Indemnifying Party (the "Indemnity Notification") and shall consult with and keep the Indemnifying Party reasonably informed with respect to the defense, compromise, settlement, resolution or other disposition of any such claim. Upon the Indemnifying Party's request, which request may be subject to a reservation of rights (the "Control Request"), which Control Request must be in writing and received by Indemnified Party within 30 days of the Indemnity Notification, the Indemnifying Party shall be entitled to control the defense of such claim by counsel of the Indemnifying Party's choosing and at the Indemnifying Party's sole expense. In this case, the Indemnified Party shall reasonably cooperate with the Indemnifying Party in connection with the defense of any such claim, provided that such cooperation is not adverse to the Indemnified Party's legal or business interests, as reasonably determined by the Indemnified Party and promptly communicated to the Indemnifying Party upon such determination. In turn, the Indemnifying Party shall promptly inform the Indemnified Party of all material aspects of such defense, compromise, any proposed settlement, resolution or other disposition of any such claim. Upon the Indemnified Party's reasonable request, the Indemnified Party shall be entitled to participate fully and cooperatively in the defense of any such claim at its own expense and with counsel of its choosing. Neither party shall admit any liability with respect to, or settle, compromise, resolve or discharge any such claim without the other party's prior written consent, which consent shall

AGBH 000440N

001467

not be unreasonably withheld in the case of any settlement, resolution, compromise or discharge involving only the payment of money.

7. **LIMITATION OF LIABILITY.** THE LIABILITY OF EACH PARTY TO THE OTHER FOR DAMAGES CAUSED BY BREACH OF THIS AGREEMENT OR BY NEGLIGENT ACTS OR OMISSIONS IN CONNECTION HEREWITH SHALL BE LIMITED TO ACTUAL DIRECT DAMAGES. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY OTHER DAMAGES, LOSSES OR EXPENSES DIRECT OR INDIRECT (INCLUDING INCIDENTAL, CONSEQUENTIAL, RELIANCE OR SPECIAL), REGARDLESS OF THE FORM OF THE ACTION; PROVIDED HOWEVER, THAT NOTHING IN THIS SECTION SHALL LIMIT THE LIABILITY OF EITHER PARTY FOR WILLFUL MISCONDUCT OR FOR GROSS NEGLIGENCE.

8. **Applicable Law; Entire Agreement; Modification.** This Agreement shall be construed in accordance with and be governed by the laws of the state of [insert name of state], without regard to otherwise applicable conflict of law principles. This constitutes the entire agreement between the parties and supersedes all previous understandings, commitments or representations concerning the subject matter. This Agreement may not be amended or modified, and none of its provisions may be waived, except by a writing signed by an authorized officer of the party against whom the amendment, modification or waiver is sought to be enforced.

9. **Severability.** Nothing contained in this Agreement shall be construed to require commission of any act contrary to law, and wherever there is any conflict between any provision of this Agreement and any law, such law shall prevail; provided, however, that in such event, the affected provisions of this Agreement shall be modified to the minimum extent necessary to permit compliance with such law and all other provisions shall continue in full force and effect.

Notices. All notices and other communications from either party to the other hereunder shall be in writing and shall be deemed received upon actual receipt when personally delivered, upon acknowledgment of receipt if sent by facsimile, or upon the expiration of the third business day after being deposited in the United States mails, postage prepaid, certified or registered mail, addressed to the other party at a location specified in writing by such party. All notices required under this section shall be made both to the signatories to this agreement and to the General Counsel(s) of the respective companies executing this agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

CLEC

By: _____
Name: _____
Title: _____

(appropriate GTE entity name)

By: _____
Name: _____
Title: _____