Rebuttal
Affidavit of
Lynn Nitarianni

Rebuttal Aff.
of Marc
Schwartz

and Midcontinent;
03/25/02 - Corrected Page 1 to Qwest's Brief;
03/25/02 - Qwest's Data Requests to Black Hills FiberCom, Midcontinent and AT&T;
03/27/02 - Black Hills FiberCom's Reply Brief Re: Track A Proceedings;
03/27/02 - Reply to Qwest's Response to Motions filed by Black Hills FiberCom and Midcontinent Regarding Qwest's Section 271 Application;
03/28/02 - Order Admitting Nonresident Attorney (Jonathan Frankel);
04/03/02 - Rebuttal Affidavit of Larry B. Brotherson;
04/03/02 - Seven Rebuttal Affidavits of Margaret S. Bumgarner and Request for Confidential Treatment of Information;
04/03/02 - Three Rebuttal Affidavits of Thomas R. Freeberg;
04/03/02 - Affidavit of Mary Ferguson LaFave;
04/03/02 - Rebuttal Affidavit of Jean M. Liston;
04/03/02 - Rebuttal Affidavit of Lynn M. V. Notarianni;
04/03/02 - Rebuttal Affidavit of Mark S. Reynolds;
04/03/02 - Affidavit of Judith M. Schultz;
04/03/02 - Rebuttal Affidavit of Marie E. Schwartz;
04/03/02 - Four Rebuttal Affidavits of Lori A. Simpson;
04/03/02 - Two Rebuttal Affidavits of Karen A. Stewart;
04/03/02 - Pre-Filed Testimony and Data Reconciliation Reports of Robert L. Stright;
04/03/02 - Rebuttal Affidavit of David L. Teitzel;
04/03/02 - Reply Affidavit of Michael G. Williams;
04/04/02 - Order Granting Motions; Order Amending Procedural Schedule and Extending Hearing Dates;
04/04/02 - AT&T's Procedural Motion Regarding the Section 271 Process;
04/10/02 - Errata to the Affidavit of Kenneth L. Wilson;
04/12/02 - Statement of Supplemental Authority Regarding Qwest's Performance Assurance Plan;
04/15/02 - Qwest's Proposed Order of Witnesses;
04/16/02 - AT&T's Motion for Extraordinary Protective Order;
04/16/02 - Midcontinent's Request for Confidential Treatment of Information;
04/16/02 - Midcontinent's Response to Qwest's Data Requests of March 22, 2002;
04/17/02 - Supplemental Prefiled Testimony of W. Tom Simmons;
04/19/02 - Orders Admitting Nonresident Attorney (Lynn Stang, Robert Cattanach, John Devaney, Kara M. Sacilotto, Mary Rose Hughes, Shannon Heim, William Richardson, Charles Steese, Blair Rosenthal and Andrew Crain);
04/19/02 - Black Hills' Responses to Qwest's Data Requests for Black Hills;
04/22/02 - Revised Order of Witnesses;
04/22/02 - Affidavits of Barbara Brohl and Dennis Pappas;
04/22/02 - Supplemental Affidavit of Karen A. Stewart;
04/22/02 - Response to AT&T's Motion for Extraordinary Protective Order;
04/22/02 - Order Admitting Nonresident Attorney to Practice (Steven H. Weigler);
04/22/02 - Motion to Strike Supplemental Testimony, Public Exhibits and Confidential Exhibits of W. Thomas Simmons Received April 18, 2002;
04/22/02 - Motion Regarding Proceeding on Third Party Testing of Qwest's OSS;
04/22/02 - Supplemental Affidavit of Larry B. Brotherson;
04/24/02 - Additional Statement of Supplemental Authority Regarding Qwest's Performance Assurance Plan;
04/25/02 - AT&T's Request for Confidential Treatment of Information;
04/25/02 - AT&T's Responses to Qwest's Requests for Information;
04/29/02 - Qwest's Submission of Alternative QPAP Proposals;
04/29/02 - QPAP Approved as Amended;
04/29/02 - Qwest's Motion to Enter AT&T's Track A Data Request Response into Evidence;
05/01/02 - Qwest's November 2001 through February 2002 Performance Data as

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

RECEIVED
APR 0 3 2002
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271 (C) OF THE TELECOMMUNICATIONS ACT OF 1996	))))	DOCKET TC 01-165

QWEST CORPORATION'S

REBUTTAL AFFIDAVIT

OF

LYNN M. V. NOTARIANNI

CHECKLIST ITEM 2 – OPERATIONS SUPPORT SYSTEMS (OSS)

APRIL 2, 2002

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REBUTTAL AFFIDAVIT

OF

LYNN M. V. NOTARIANNI

Checklist Item 2 – Operations Support Systems (OSS)

Lynn M. V. Notarianni states as follows:

My name is Lynn M. V. Notarianni. My business address is 930 15th Street, 10th floor, Denver, Colorado 80202. I am the same Lynn M. V. Notarianni who filed an affidavit on October 23, 2001. I submit this rebuttal affidavit in support of Qwest's application for authority to provide interLATA services originating in South Dakota and as further evidence that Qwest provides nondiscriminatory access to Operations Support Systems (OSS). My rebuttal affidavit today specifically addresses the testimony of Kenneth L. Wilson, AT&T; the testimony of Michelle Merchen, Black Hills FiberCom; AT&T's Verified Comments on Checklist Items 2, 5, and 6; and the testimony of Michael Hydock, AT&T.

I. QWEST'S RESPONSE TO AT&T'S REQUEST FOR ACCESS TO LFACS

AT&T witness Mr. Wilson claims that Qwest is required under the UNE Remand Order to provide access to loop information including the LFACS database.[1] Qwest does provide access to the loop information. Qwest satisfies the requirements of the UNE Remand Order by providing appropriate access to the data in the LFACS database. AT&T's claims to the contrary are unfounded. Qwest provides appropriate access to LFACS and other databases. AT&T's claims that other ILECs provide direct access to LFACS are not correct. Qwest provides the data required by competitive local exchange carriers (CLECs). Qwest does not discriminate by providing its employees greater access to LFACS as claimed by AT&T. Because Qwest provides the data that AT&T and other CLECs require, there is no need to change the SGAT as requested by Mr. Wilson.[2]

A. Mediating Access to Back Office Systems is Necessary and Useful

AT&T claims that "Qwest has refused to provide access to LFACS or to any other source of loop information available to its employees."[3] That is not correct. Qwest provides access to the data in LFACS and other back office systems necessary to give CLECs a meaningful opportunity to compete. AT&T appears to believe that because

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[1] *See In the Matter of the Investigation Into Qwest Corporation's Compliance with Section 271(c) Of The Telecommunications Act of 1996*, Docket No. TC 01-165, Before the Public Utilities Commission of the State of South Dakota, Affidavit of Kenneth L. Wilson Regarding Checklist Item 4 – Unbundled Loops And Checklist Item 11 – Local Number Portability On Behalf of AT&T ("*AT&T Affidavit of Wilson*"), at 17.

[2] *Id.* at 29.

Qwest will not grant AT&T leave to enter the database directly, Qwest is prohibiting all access to that data. That is also not correct. AT&T suggests that Qwest employees have direct access to LFACS.[4] That is misleading and not entirely accurate. For the most part, Qwest employees requiring data from LFACS have mediated access as well.

There are a number of reasons to mediate access to back office systems both for in-house users as well as for those outside a company that require access to certain data. AT&T is correct that one reason access is mediated is to protect proprietary information.[5] Some customer proprietary network information (CPNI) is stored on the LFACS database, such as working telephone number and address. Mediated access protects this data by limiting access to the service provider for a given customer. Therefore one CLEC may not access the CPNI data for customers of another CLEC. Likewise Qwest retail representatives may not access CPNI data for customers of CLECs. Direct access essentially eliminates Qwest's ability to provide security and ensure only authorized use of its systems. In fact, Qwest retail representatives may not access LFACs directly. Qwest retail representatives use an interface called QServ to qualify loops for Qwest DSL. The only Qwest employees who have direct access to LFACS are employees in the Information Technologies organization who provide technical support for LFACS and network engineers who are engaged in provisioning activities for Qwest AND for CLECs.

[3] *Id.* at 21.
[4] *Id.* at 24.
[5] *Id.*

There is another reason for creating mediated access to back office systems that is of significant benefit to CLECs: standardized interfaces. The industry recognized that any CLEC that wished to engage in the business of providing local telephone service in more than one jurisdiction could encounter a variety of different systems at each incumbent local exchange carrier (ILEC) the CLEC does business with. The Alliance for Telecommunications Industry Solutions (ATIS) through its Ordering and Billing Forum (OBF) recognized the need for standardization in systems access. The Local Services Ordering and Provisioning committee of the OBF addresses and resolves "issues focused on the ordering and/or provisioning of local telecommunications services using the Local Service Ordering Guidelines (LSOG)."[6] The intent of these guidelines is to provide standards for the various interfaces that CLECs which operate nationally, like AT&T, will encounter with the various ILECs.

There are differences between Qwest's Retail systems and the interfaces Qwest provides to CLECs to access its OSS. These differences exist because the interfaces through which CLECs access Qwest's OSS are relatively new and were designed to follow the industry guidelines applicable to provider-to-provider arrangements as discussed above.

In contrast, Qwest's downstream systems are proprietary and were developed over a period of many years for internal employee access to support service provided to end-user customers. These systems were not developed within the OBF guidelines. Moreover, many of these systems are not at all user friendly. As a result, the design of

[6] *See* <http://www.atis.org/atis/clc/obf/LSOP/Lsophome.htm>

the electronic interfaces through which CLECs access Qwest's OSS and the design of the Qwest Retail systems themselves are, by their very nature, different.

Direct access means that a user interacts directly with an OSS. The user must use the specific commands known to the particular OSS, and interface with the specific screens and data contained on those screens. Qwest service representatives have direct access in many cases, for pre-ordering, ordering, and repair functionality. In the course of establishing a customer service request, they access several different OSS.

It would not be reasonable to expect each CLEC sales representative, taking orders in multiple jurisdictions, to learn all the back office ordering systems used by each ILEC. It is much more logical for each CLEC sales representative to use one ordering interface for each ILEC. The interfaces take the data submitted by the CLEC representative and send it into the back office systems of the ILEC. While there may still be some variation from one ILEC ordering interface to the next, that variation is minimized because all of the ordering interfaces follow the same set of rules defined by the OBF.

B. Other ILECs Provide Mediated Access to LFACS

AT&T witness, Mr. Wilson, claims that SBC and Verizon provide direct access to LFACS.[7] Mr. Wilson misinterprets the information provided in the FCC orders cited in his testimony. The FCC states that "SWBT provides competitors access to actual loop make-up information contained in SWBT's back-end system Loop Facilities Assignment and Control System (LFACS) through the preordering interfaces Verigate, Datagate and

EDI/CORBA."[8] This statement confirms that access to the data in SBC's LFACS database is mediated, just as it is for Qwest's LFACS database. SBC provides mediated access through interfaces, as does Qwest. Qwest provides mediated access to LFACS data through Interconnect Mediated Access (IMA) both via a graphical user interface (GUI) and an electronic data interchange (EDI) interface. Within IMA-GUI and IMA-EDI, the Facility Check feature accesses data in LFACS. LFACS data is also a component of the IMA Raw Loop Data tool.

Verizon also provides mediated access to the data in its LFACS database. Verizon's LiveWire database contains LFACS data used for qualification of loops for Verizon's ADSL Product.[9] Verizon gives CLECs mediated access to this data with GUI and EDI interfaces.[10] Qwest's Resale DSL Loop Qualification tool provides the same function for CLECs who, for example, wish to resell Qwest's DSL product. Verizon also provides LFACS data via an interim pre-order process that has a 24-hour turnaround.[11] This is also not an example of direct access. On the contrary, it is a request for data that must be processed by Verizon personnel. The FCC notes that Verizon is in the

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[7] *AT&T Affidavit of Wilson* at 26.

[8] *In the Matter of Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Kansas and Oklahoma*, Memorandum Opinion and Order, CC Docket No. 00-217, FCC 01-29, ¶ 121 (released January 22, 2001) ("*SBC Kansas/Oklahoma 271 Order*").

[9] *In the Matter of Application of Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions) and Verizon Global Networks Inc., For Authorization to Provide In-Region, interLATA Services in Massachusetts*, Memorandum Opinion and Order, CC Docket No. 01-8, FCC 01-130 ("*Verizon Massachusetts 271 Order*") ¶ 56.

[10] *Id.*

process of automating this pre-order function through its electronic interfaces.[12] Qwest has already automated these functions in the various IMA-GUI and IMA-EDI loop data and loop qualification tools.

Mr. Wilson asserts that Qwest's Raw Loop Data tool does not provide information on loop fragments.[13] Mr. Wilson does not define loop fragments, but if he refers to loop segments, such as distribution and feed, then Mr. Wilson's assertion is not correct. In fact, Qwest's Raw Loop Data tool provides output formatted based on loop segments. CLECs do receive data regarding feeder (F1) and distribution (F2-Fn) segments in a loop. Each segment is identified as either copper or IDLC (Integrated Digital Loop Carrier). A loop status field indicates whether loops are working or non-working. The Raw Loop Data tool also provides information on each segment regarding load coils, bridge taps, cable gauges and the length of each gauge, all of which Mr. Wilson identified as data that AT&T requires.[14]

AT&T claims that Qwest does not provide access to data regarding spare facilities.[15] Again, Mr. Wilson's claim is unfounded. The Raw Loop Data tool was enhanced in release 8.0 of IMA-GUI and IMA-EDI to include data for spare facilities. Release 8.0 was implemented on August 18, 2001. Spare facility information is also available via the Facility Check pre-order function in IMA GUI and IMA EDI on an

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[11] *Id.* ¶ 57.
[12] *Id.*
[13] *AT&T Affidavit of Wilson* at 22.
[14] *Id.* at 28.
[15] *Id.* at 22.

individual facility basis. Spare facility information is also provided in the Qwest ADSL Qualification tool.

Finally, AT&T witness Mr. Wilson claims that the FCC requires Qwest to provide "any loop plant information that any Qwest employee has access to."[16] That claim is without merit. A closer reading of the UNE Remand Order shows that the FCC's requirement is not as expansive as Mr. Wilson's. The FCC's requirement that the ILEC provide access to loop information falls under the umbrella of information necessary to qualify a loop for xDSL services. The FCC clarified "that pursuant to our existing rules an incumbent LEC must provide the requesting carrier with nondiscriminatory access to the same detailed information about the loop that is available to the incumbent, *so that the requesting carrier can make an independent judgment about whether the loop is capable of supporting the advanced services equipment the requesting carrier intends to install*."[17] That is the information Qwest provides through its loop data and loop qualification tools.

Documentation regarding the fields and data contained in the output to the Raw Loop Data tool is available to all CLECs on Qwest's wholesale Web site[18] at <http://www.qwest.com/wholesale/training/coursecatalog.html> in the Loop Data - CLEC Job Aid document. Information about using the IMA GUI to retrieve raw loop data is

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[16] *Id.* at 20.

[17] *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, FCC 99-238, released November 5, 1999, ¶ 427.

available in the IMA-GUI End User Guide at page 121. The guide may be downloaded from the Qwest wholesale Web site at <http://www.qwest.com/wholesale/downloads/2002/020322/901UGPreorder032202.pdf>. The same information is provided for IMA-EDI in the disclosure and data documents located on the Qwest wholesale Web site at <http://www.qwest.com/wholesale/ima/edi/document.html>.

Qwest provides a suite of tools for obtaining loop information and loop qualification. CLECs may obtain raw loop data for an individual facility or for an entire wire center. Qwest also provides CLECs with access to its ADSL qualification tool, its POTS Conversion to Unbundled Loop Tool, and its Qwest DSL Qualification Tool. In short, Qwest gives CLECs multiple avenues for obtaining loop information, and Qwest provides documentation regarding the data contained in this suite of tools.

If AT&T requires data in addition to that which is already provided by Qwest, rather than make allegations in a regulatory proceeding, there is a more appropriate forum at which to make such requests. Qwest's Change Management Process (CMP) is the forum where CLECs bring their requests for additional functionality. AT&T participates in CMP. If AT&T would like to define its additional data needs in the form of

[18] When Qwest refers to documents or other information posted to a Web site by providing the Web site address (URL), Qwest incorporates such documents or other information by reference as if fully set forth herein.

a CLEC-initiated change request (CR), it can be placed before the CLEC membership for discussion and prioritization according to CMP procedures.[19]

C. Mediated Access Is Not Discriminatory

As discussed above, the FCC described the access to LFACS data that SBC provides in Kansas and Oklahoma as mediated access. The FCC determined that SBC provides the data from LFACS that CLECs need, and they do so in a non-discriminatory manner.[20] The FCC made the same determination for Verizon in Massachusetts.[21] Qwest provides the same kind of data from LFACS using the same types of mediated access methods. Qwest does not give its retail sales representatives direct access to LFACS. Those Qwest employees who do have direct access, do so in order to support the database, or because they perform provisioning functions for Qwest and CLEC orders. Therefore, it follows that Qwest's mediated access is not discriminatory.

D. The Multi-State Facilitator Determined Qwest Provides Non-Discriminatory Access to LFACS data

The facilitator in the multi-state workshop process that included the states of Idaho, Iowa, Montana, North Dakota, Wyoming, New Mexico and Utah addressed this

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[19] Information and documentation regarding the CMP may be found at <http://www.qwest.com/wholesale/cmp/index.html>.

[20] "We find that SWBT provides these mechanized and manual processes to competing carriers in a nondiscriminatory fashion and allows access to loop qualification functionality as a pre-ordering function in substantially the same manner as it does for itself. Where loop make-up information resides in an electronic format within SWBT's systems, SWBT enables competing carriers access to this information.", *SBC Kansas/Oklahoma 271 Order* ¶ 122.

[21] "We conclude that Verizon demonstrates that it offers nondiscriminatory access to OSS pre-ordering functions associated with determining whether a loop is capable of supporting xDSL advanced technologies." *Verizon Massachusetts 271 Order* ¶ 60.

question regarding access to LFACS data.[22] The facilitator stated, "We can first conclude that the evidence shows that LFACS does not have the capability to provide the information that AT&T seeks, but that it does contain a very broad range of information that is both very sensitive and hard to exclude from unmediated access."[23] The facilitator also found that "Qwest has cited a number of other available Raw Loop Data tools that appear better suited to AT&T's needs. Given the potential, the preferable course at this time is to assure AT&T has access to them."[24] Qwest has made the Raw Loop Data tool and the loop qualification tools available to AT&T and all other CLECs.

E. South Dakota Commission Staff Agrees with the Multi-State Resolution

South Dakota Commission Staff Witness, Dr. Griffing, cited the report of the Multi-State facilitator, noting "the report finds that it is not unreasonable for Qwest to want to mediate the access to allow for proprietary or confidential concerns."[25] Staff concludes that the Commission should ensure that Facility Check is available and

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[22] *See Facilitator's Report on Checklist Item 2 (Unbundled Network Elements), Checklist Item 4 (Access to Unbundled Loops), Checklist Item 5 (Access to Unbundled Local Transport), and Checklist Item 6 (Access to Unbundled Local Switching)*, available at <http://www.libertyconsultinggroup.com/workshop_number_3.htm>.

[23] *Id.* at 66.

[24] *Id.*

[25] *See In the Matter of the Investigation Into Qwest Corporation's Compliance with Section 271(c) Of The Telecommunications Act of 1996*, Docket No. TC 01-165, Before the Public Utilities Commission of the State of South Dakota, Direct Testimony of Marlon Griffing, Ph.D. on behalf of The Staff of the Public Utilities Commission of South Dakota, ("*Testimony of SD Commission Staff*"), at 86.

should adopt the findings of the Multi-state facilitator.[26] As noted above, Facility Check and numerous other Raw Loop Data tools for obtaining loop information are available to AT&T and all other CLECs.

F. Conclusion

Qwest provides the loop information that AT&T needs via mediated access to LFACS data. Qwest has created a number of tools in IMA-GUI and IMA-EDI that provide this information, including the Raw Loop Data tool, facility check and the loop qualification tools. The FCC has determined that mediated access is not discriminatory, and is an appropriate means for giving CLECs access to ILEC back office systems. Therefore, it is not appropriate to give AT&T direct access to Qwest's LFACs database.

II. QWEST'S RESPONSE TO AT&T'S REQUEST FOR PRE-ORDER MECHANIZED LOOP TESTING (MLT)

AT&T's Witness, Mr. Wilson, argues that Qwest must allow CLECs to perform or request a pre-order MLT (mechanized loop test) in order to verify that a loop can support the services the CLEC intends to offer. He claims that this is necessary because an MLT provides additional information that is not available through the Raw Loop Data tool (RLD).[27]

Mr. Wilson appears to confuse the capabilities of MLT and the Qwest loop qualification processes. The RLD tool available via IMA is a more comprehensive and accurate tool to verify that the loop can support the services the CLEC intends to provide over that loop facility than MLT.

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[26] *Id.* at 87.

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Mr. Wilson appears to confuse the capabilities of MLT and the Qwest loop qualification processes. The RLD tool available via IMA is a more comprehensive and accurate tool to verify that the loop can support the services the CLEC intends to provide over that loop facility than MLT.

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[26] *Id.* at 87.

Qwest's version of MLT is mainly used to identify faults. To do this the loop must be connected to the switch and have a telephone number. The repair system, CEMR, enables the CLECs to test any loop (service) that they own. If the service has not yet been provisioned (i.e., it is not connected to the switch or does not have a telephone number), MLT is not possible. During the trouble isolation process or identification of a fault, MLT does provide an estimated loop length for loops without faults. However, it will not provide loop length for loops with faults. At that point, the loop length is estimated because the customer provided equipment (CPE) has an effect on the measurements. As a result, the accuracy of loop length data through the use of an MLT is questionable and should only be utilized when the data is missing from the cable records. When the loop length identified in the cable records, it is available through the RLD tool. Only when it is not available in the cable record, does Qwest place the loop length from the MLT batch process described in Ms. Liston's Rebuttal Affidavit filed coincident with this one.

Mr. Wilson asserts that more information can be derived from an MLT than loop distance, and that an MLT can determine whether there are electronics or equipment on the loop that would interfere with DSL service.[28]

Again, Mr. Wilson has misunderstood the capabilities of the version of MLT that Qwest is using. Qwest's version of MLT does not identify bridge taps or load coils, which are necessary to identify what services the loop can support. MLT will provide an

[27] *AT&T Affidavit of Wilson* at 29.
[28] *Id.* at 31.

1 indication that digital carrier equipment is present but does not provide details of that
2 equipment. That detail is provided by the cable records and is reflected in the data
3 returned by the RLO tool.

4 Contrary to Mr. Wilson's assertions,[29] MLT tests do have an impact on Qwest's
5 network. Any additional load on the MLT system would raise system capacity issues,
6 and may entail not only purchasing MLT equipment but would likely require a possible
7 switch expansion. However, due to engineering limitations, expansion may be limited or
8 cost-prohibitive for some switch types. Additional load on the MLT system would likely
9 create response time problems or time out issues for both the CLECs and Qwest Repair
10 Operations. This is due to MLT test head or port contention. If numerous pre-order
11 MLT tests are being run, it could cause contention with and actually preclude Qwest
12 repair technicians from performing MLT tests for repair purposes. There are only a few
13 ports available per wire center, with manual and automated tests contending for the
14 same MLT ports. This would likely result in a degradation of repair quality for both
15 timeliness and quality of repairs.

16 Raw Loop Data and other Qwest Loop Qualification Tools provide more detailed
17 and accurate information than MLT. The information can be requested in a variety of
18 ways, based on the need of the CLEC. Information in the database is provided primarily
19 from the cable records from the network construction groups. This information includes

[29] *Id.* at 30 (disputing Qwest's assertion that the MLT is invasive).

local loop segment length, wire gauge and raw loop data (loop makeup); including, bridge taps and specific equipment type; i.e. digital loop carrier type.[30]

If all local loop segment information is not available from the cable records, Qwest will then use theoretical data and in some instances loop length data from MLT to update the RLD information for both CLEC access and Qwest Loop Qualification tools. This information is gathered via the following process. Missing data is identified in the loop qualification systems and if theoretical (GIS, Planned or Wire Center Characteristic) data is available it is used in lieu of the actual data. In some instances, MLT is used in conjunction with the theoretical data. For MLT determination, telephone numbers are batch tested (during off-hours). These loop-information-updating steps are repeated in an ongoing process to ensure database quality.

In addition, the retail Qwest DSL pre-qualification process does not include live MLT testing. Up front employees are neither trained on nor do they have access to MLT. Qwest employees use the Qserv tool that informs them if DSL is available at a specific address. This differs from the information provided to CLECs as the CLECs get specific detailed information on loop makeup and length of the loop. With this information, CLECs can do what Mr. Wilson wants - make their own determination if the loop is qualified to support their services.

[30] For more information regarding the contents of the RLD tool, please see Jean Liston's Affidavit, Section "Loop 9 – Access to Loop Facilities and Assignment Control System (LFACS).

In summary, the Loop Qualification Database Tool available to the CLECs via IMA is a more accurate and complete record to determine if a loop is qualified for CLEC services.

III. QWEST'S RESPONSE TO BLACK HILLS FIBERCOM'S DISCUSSION OF EEL ORDERING

Black Hills FiberCom witness, Ms. Michelle Merchen, claims that she has experienced some problems when ordering Enhanced Extended Loops (EELs). In response to the question, "Do you have any examples of Qwest's deficient OSS?", Ms. Merchen cited examples of the problems experienced when the decision was made to begin ordering Enhance Extended Loops (EELs). In response to her described experience in ordering EELs, Qwest provides the following explanation.

Ms. Merchen states that FiberCom was required to amend its interconnection agreement when it decided to order EELs. It is part of the normal process for a CLEC to amend its interconnection agreement when it decides to begin ordering a product that is not covered in its existing agreement. Information specific to EELs is available to CLECs on the Qwest Wholesale Web site: http://www.qwest.com/wholesale/pcat/eel.html. In addition to citing the need to amend an existing interconnection agreement, this Web site also provides other ordering information for EELs.

The SGAT[31] further explains the general ordering process in the following steps (Section 9.23.5.1.3-6):

- 9.23.5.1.3 Step 1: Complete product questionnaire with account team representative.
- 9.23.5.1.4 Step 2: Obtain Billing Account Number (BAN) through account team representative.
- 9.23.5.1.5 Step 3: Allow 2-3[32] weeks from Qwest's receipt of a completed questionnaire for accurate loading of UNE Combination rates to the Qwest billing system.
- 9.23.5.1.6 Step 4: After account team notification, place UNE Combination orders via an LSR or ASR as appropriate.

As referenced in the ordering steps above, once a CLEC's interconnection agreement has been amended, Qwest must then establish a Billing Account Number (BAN) for that particular product – in this case for EELs. A CLEC should not attempt to

[31] The Interconnection Agreement between KMC Telecom V, Inc. and Qwest is attached to the Affidavit of Larry Brotherson on behalf of Qwest Corporation, dated April 2, 2002, as Exhibit LHB-GTC-1. Qwest relies on the KMC interconnection agreement and the other interconnection agreements filed with this Commission, in addition to the SGAT. For better readability, I may not always mention the KMC agreement, but Qwest relies on that agreement and its language just as if the KMC agreement was mentioned every time I mention the SGAT. Everywhere I mention the SGAT in my direct affidavit, and in this rebuttal affidavit, I also incorporate and rely on the KMC agreement, which has the same section numbers and same language as the October 2001 SGAT filed in South Dakota.

[32] To meet the needs of the CLECs this interval was reduced from 35-45 days. The reduced interval is reflected in the October 24, 2001 version of the South Dakota SGAT.

submit LSRs until after notification has been received from its account team that EEL LSRs can be submitted.

Qwest received the completed questionnaire from FiberCom on October 9, 2001 and, in accordance with the process as it existed at that time, had 35-45[33] days to prepare for receipt of EEL LSRs from FiberCom.

On November 29, 2001, day 38, Qwest had established the EEL BAN and was ready to accept and process FiberCom's EEL LSRs. On November 28, 2001, the Qwest Service Manager notified Black Hills FiberCom that it could begin submitting LSRs for EELs after November 29, 2001. Based on the successful completion of EEL BAN setup, this step in the ordering process did not prevent or delay Black Hills FiberCom from submitting EEL LSRs.

Ms. Merchen also states that between December 5, 2001 and January 14, 2002, she experienced problems when attempting to submit orders for EELs.[34] Qwest records show that Qwest only received one LSR from FiberCom for EELs during the time period referenced. Two additional versions of this order were submitted to correct information for primary location on connecting facility assignment (CFA) and FCC option information and the order successfully issued on January 14, 2002. After January 14th, FiberCom submitted only two additional EEL orders – both on March 5, 2002. The first order was submitted only once and successfully completed on the desired due date. The second order contained errors and Qwest is working with FiberCom to resolve those issues.

[33] The Black Hills FiberCom completed questionnaire was submitted prior to the reduction in interval.

Ms. Merchen was correctly informed that a "ticket" should be opened in order for FiberCom to receive assistance with LSR ordering concerns. However, in Qwest terms a "trouble ticket" as referenced by Ms. Merchen is opened to address a maintenance and repair issue, while an LSR order issue would be addressed by opening an Escalation Ticket with the Qwest Interconnect Service Center or Qwest Wholesale Systems Help Desk depending upon the nature of the problem.[35] However, Ms. Merchen claims that "[w]hen I tried to open a trouble ticket with Qwest, however, Qwest's system would not accept it because an LSR had not been submitted.[36] Qwest's internal records do not agree with that claim as Qwest's escalation ticket records reflect that FiberCom successfully opened seven escalation tickets to report CLEC ordering issues during the December 1, 2001 to January 15, 2002 period prior to an LSR being successfully submitted to Qwest on January 14, 2002.

Ms. Merchen claimed that she had been directed to several Qwest representatives, many of whom could not help her.[37] It is Qwest's policy to try to provide CLECs with the most appropriate and capable resources to assist them for their given problem. Given the abundance of products offered in IMA and the sometime complex nature of these products, Qwest provides a central point of contact for CLECs

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[35] Qwest Testimony of Michelle Merchen at 2-3.

[35] To discuss order processing or status, the Qwest Interconnect Service Center is available to support CLECs. While not responsible for supporting functional "how to" questions concerning systems or applications, the Qwest Wholesale Systems Help Desk is the CLEC's single point of contact for system related questions regarding connectivity issues, outputs and system outages.

[36] Qwest Testimony of Michelle Merchen at 3.

[37] *Id.*

to the Interconnect Service Center that, in turn, directs issues to, for example, Service Delivery Coordinators, Service Managers, or subject matter experts, as appropriate.

Additionally, Qwest provides an escalation process whereby a CLEC may initiate an escalation of a service request at any time during the ordering by calling the appropriate center.[25] An escalation is a request for status or intervention relating to a missed critical date. Qwest escalation roles and responsibilities can be summarized as:

Service Delivery Coordinators- Local Service Request (LSR) or Access Service Request (ASR) escalations related to Rejects/Delayed orders, critical dates and Firm Order Confirmations (FOC).

Service Manager - Involved only after normal processes fail to resolve the escalation to CLEC satisfaction. Evaluates the situation based on commitments managing associated resolution activities.

Senior Service Manager/Director - Involved only if the efforts of the Service Manager are unsuccessful. Provides direction to those working the issue, partnering with Center Coaches and Team leaders.

Qwest Director/Vice President - Contacted for direction and/or assistance for those working the escalation, providing timely status updates back to the prior level and the CLEC directly.

Furthermore, the role of the Qwest Service Manager is to assist a CLEC with handling order acceptance, delayed orders, or cancelled orders and answering CLEC questions delivery of an order, investigation and explanation of the reason an order is delayed or cancelled to resolve and communicate issues to the CLEC in a timely, thorough manner. The Qwest Service Manager has contacts within other Qwest departments who are responsible for the actual ordering and delivery of products.

[25] Qwest Wholesale Web site, Expedites & Escalations Overview, <http://www.qwest.com/wholesale/ciecs/exescover.html>.

through these contacts they negotiate the best resolution, and interval to the problem that is practical for both the CLEC and Qwest based on the individual situation.[39] However, it is incumbent upon the CLEC to report such issues to their assigned Qwest Service Manager for resolution.

Lastly, FiberCom complains that "Qwest referred us to several instructional Web sites, but these were only marginally useful in completing the EEL ordering process."[40] Without the specific web site references from FiberCom, Qwest cannot provide specific comments on this statement. However, Qwest does makes significant efforts to provide CLECs with the necessary and appropriate information to successfully process wholesale order requests and to overall ensure that CLECs have available the tools necessary to navigate the Wholesale experience successfully.[41]

IV. QWEST'S RESPONSE TO AT&T'S REQUEST FOR TESTING LANGUAGE AND TESTING ENVIRONMENT

AT&T seeks a change in Qwest's Statement of Generally Available Terms (SGAT) to allow for additional testing of Qwest's electronic interfaces.[42] While Qwest

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[39] Qwest Wholesale Web site, Account Team/Sales Executives & Service Managers, <http://www.qwest.com/wholesale/clecs/accountmanagers.html>.

[40] Direct Testimony of Michelle Merchen at 3.

[41] As mentioned above, information specific to EELs can be found at the following Web site: http://www.qwest.com/wholesale/pcat/eel.html. Escalation information is also found on the Qwest Wholesale Web site at the following address: http://www.qwest.com/wholesale/clecs/exescover.html.

[42] *In the Matter of the Investigation Into Qwest Corporation's Compliance With Section 271(c) of the Telecommunications Act of 1996*, Before the Public Utilities Commission of the State of South Dakota, Docket No. TC 01-165, AT&T's Verified Comments on Checklist Items 2, 5 and 6

agrees that CLECs should have the opportunity to do additional testing, Qwest does not agree with the SGAT language proposed by AT&T.[43]

A. Qwest has already agreed to testing language in other states

During the multi-state workshop process, AT&T raised the issue of additional testing of electronic interfaces above and beyond the thorough testing that Qwest already offers to CLECs. The Facilitator of the multi-state process proposed a compromise, accepting that some CLECs might want to do additional testing, but that not all CLECs would want to do the same level of testing that AT&T proposed. The facilitator suggested compromise language be added to the SGAT to allow CLECs to negotiate with Qwest for additional electronic interface testing.[44] Qwest agreed to the language the facilitator proposed and has placed this language in the SGATs for the seven states involved in the multi-state process[45] and the state of Nebraska. The facilitator proposed the language be added as a new section 12.2.9.3 of the SGAT. Because that section number was already used as a result of other SGAT changes, an additional section was created for this language.

The new SGAT language reads as follows:

> 12.2.9.8 In addition to the testing set forth in other sections of Section 12.2.9, upon request by CLEC, Qwest shall enter into negotiations for comprehensive production test procedures. In the event that agreement is not

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[43] *See Multistate Exhibit WS3-ATT-MFH-2.* Because the electronic file included in AT&T's filed testimony appears to be a different document, AT&T's proposed SGAT language from the Multistate proceeding is attached as Exhibit LVN-1 below.

[44] *Facilitator's Report on Checklist Item 2 (Unbundled Network Elements), Checklist Item 4 (Access to Unbundled Loops), Checklist Item 5 (Access to Unbundled Local Transport) and Checklist Item 6 (Access to Unbundled Local Switching)* at 31 *("Facilitator's Report")*, available at <http://www.libertyconsultinggroup.com/workshop_number_3.htm>.

[45] Idaho, Iowa, Montana, North Dakota, New Mexico, Wyoming, and Utah.

reached, CLEC shall be entitled to employ, at its choice, the dispute resolution procedures of this Agreement or expedited resolution through request to the state Commission to resolve any differences. In such cases, CLEC shall be entitled to testing that is reasonably necessary to accommodate identified business plans or operations needs, accounting for any other testing relevant to those plans or needs. As part of the resolution of such dispute, there shall be considered the issue of assigning responsibility for the costs of such testing. Absent a finding that the test scope and activities address issues of common interest to the CLEC community, the costs shall be assigned to the CLEC requesting the test procedures.

B. Qwest's language is reasonable

Qwest believes that the testing already provided in its SGAT is comprehensive and sufficient to allow a CLEC to determine that its electronic systems will communicate effectively with Qwest's OSS. Qwest is willing to negotiate a specific test procedure with any CLEC that requires more testing than is already provided by Qwest. The new language proposed by the Multi-state facilitator and implemented by Qwest in those states allows for this testing.

C. AT&T's language is not reasonable

As an initial matter, AT&T's proposed testing language identifies specific applications and interfaces, such as CORBA, that are not available to Qwest. The Qwest proposed language allows for testing of whatever electronic interfaces exist when the testing is requested.

In addition, AT&T's language places obligations on Qwest to provide any and all materials, systems, test facilities and staff requested by the CLEC without limitation, at the CLEC's request. This is patently unreasonable. The Multi-state facilitator agrees with Qwest's assessment of AT&T's proposal. "AT&T's proposed language ...would adopt a prescriptive approach to comprehensive testing that would not allow for

negotiation between Qwest and CLECs with respect to test scope, conditions, or payment responsibility. It also contains no provision for dealing with requested tests that duplicate other test activities."[46]

D. South Dakota Commission Staff Agrees with Qwest's Proposal

The South Dakota Commission cites the Multi-state report on this issue, and restates the findings of the facilitator very well.[47] Per Commission staff,

> the language proposed by the facilitator "provides for a negotiation process. Among other things, CLECs can state their concerns and Qwest can suggest that previous testing addressed the issues. If the parties cannot reconcile their testing concerns in the negotiations, CLECs can resort to either the dispute resolution procedures of the SGAT or state commission expedited resolution if they do not feel the negotiation process is satisfying their needs. The costs of the testing shall be assigned in either resolution process, with the requesting CLEC bearing them unless it is shown other CLECs should share them because they also share the benefits.[48]

E. Qwest agrees to add the same language in South Dakota

Qwest determined that the facilitator's recommendation in the multi-state process was reasonable. Therefore, Qwest is willing to add the same new language to its SGAT in South Dakota, allowing CLECs to negotiate additional testing of electronic interfaces, as section 12.2.9.8.

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[46] *Facilitator's Report* at 30.

[47] *See Testimony of SD Commission Staff* at 77.

[48] *Id.*

V. QWEST'S RESPONSE TO AT&T'S COMMENTS ON CHANGE MANAGEMENT PROCESS (CMP) – SGAT § 12

AT&T's Witness, Mr. Hydock states that with respect to evaluating change management processes, the FCC has developed the following five factors for adequacy:

> (1) that information relating to the change management process is clearly organized and readily accessible to competing carriers; (2) that competing carriers had substantial input in the design and continued operation of the change management process; (3) that the change management plan defines a procedure for the timely resolution of change management disputes; (4) the availability of a stable testing environment that mirrors production; and (5) the efficacy of the documentation the BOC makes available for the purpose of building an electronic gateway.[49]"

He then goes on to claim that Qwest has failed those standards.[50]

His claim is unfounded. Qwest has made substantial progress in CMP Redesign effort, both in augmenting its processes with the agreement of the CLECs and in the deployment of those augmented processes as soon as agreement is reached. I will respond to each factor individually.

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[49] *In the Matter of Application by SBC Communications Inc., Southwestern Bell Telephone Company and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services In Texas*, Memorandum Opinion and Order, CC Docket No. 00-65, FCC 00-238 (Rel. June 30, 2000) ¶ 108.

[50] Hydock Affidavit on GT&C at 31-32.

A. FCC Evaluation Criteria 1: Information relating to the change management process is clearly organized and readily accessible to competing carriers.

Qwest provides easily accessible and well-organized information regarding its change management process ("CMP"). Qwest maintains a Web site that sets forth the current change management process, including, in part, the method for proposing and processing CLEC-originated and Qwest-originated OSS interface change requests and CLEC-originated product and process change requests. Those procedures are set forth in the Qwest Wholesale Change Management Process Document ("QWCMP"), which can be found in an updated form on the Qwest Wholesale Web site.[51] This document contains agreements reached through extensive negotiations between the CLEC community and Qwest regarding the redesign of Qwest's change management process. The document containing the interim procedures that CLECs agreed to for Qwest-initiated product and process changes is also included on the Web site. The CLECs had substantial input, during the redesign process, into the organization and clarification of change management related materials on the Web site, particularly on the manner changes would be identified, displayed and logged on document change logs.

The Web site also serves as a repository of information that is useful to CLEC participation in the change request process. For example, change requests that are to be presented to the CLEC community for discussion and refinement at monthly CMP meetings are posted on the Web site. (CLECs participating in the CMP also are notified

of new change requests by e-mail.) CLEC change requests are posted to the Web site, and Qwest-initiated change requests have been posted to the Web site since October 2001. The change management Web site includes a link to a form that allows CLECs/Qwest to submit change requests to Qwest electronically.[52] Qwest updates and maintains a database that tracks the progress of each change request, reports changes systematically using change request numbers, and uses these same numbers in communications with CLECs to identify specific changes.

The Qwest Wholesale Web site also includes other information about the change management process, the redesign process, pending change requests and change management issues. For example, the Web site (1) contains a listing of the change requests, their status, and a complete history of the action taken on each request, including minutes of meetings between the CLEC originator and Qwest; (2) sets forth the schedule for systems and product/process change management meetings; (3) provides a link to OSS documentation and a list of release notifications that are related to that documentation; and (4) provides a link to the SATE Data Documents which contain SATE test case scenarios.[53] It also includes the minutes from CMP meetings, past and future meeting schedules, the Release Calendar, release notifications, change requests, CMP contact information, information about how to make a change request, and more.

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[51] See the following Web site address: <www.qwest.com/wholesale/cmp/whatiscmp.html>.

[52] *See* Product/Process and Systems links listed under Change Requests at the following URL: <http://www.qwest.com/wholesale/cmp/index.html>.

B. FCC Evaluation Criteria 2: Competing carriers had substantial input in the design and continued operation of the change management process.

CLECs have had and continue to have substantial opportunities for input into the design and continued operation of the change management process.

Qwest and the CLECs have met regularly, generally four days per month, since July 2001, to collaboratively redesign Qwest's change management procedures. The majority of the elements of the redesigned CMP have already been implemented. In sum, Qwest's current change management process provides for substantial CLEC input into both the design and the continued operation of the process. The redesign effort has provided an opportunity for CLECs and Qwest to jointly redesign the CMP by expanding its scope, developing and documenting more detailed processes, improving notification intervals, and establishing meeting standards. The QWCMP document goes beyond the OBF 2233 CMP document, which was used as the base document in the redesign effort. For example, the CLECs requested and then worked with Qwest to design a more robust process for prioritization of change requests, which includes the Special Change Request Process (SCRP). The SCRP will allow any participant (Qwest or any CLEC) to fund, itself, any change it wants to make in the next major release that otherwise would not have been included due to the prioritization process.

[53] The CMP Web site has links to the IMA-EDI page that specifies for CLECs how to use the EDI environment.

The redesign process operates on a parallel track with Qwest's ongoing change management forum. The schedules, agendas, and minutes of the monthly CMP meetings and CMP redesign meetings are posted on the Qwest CMP Web site.

Significantly, the parties to the redesign process have already agreed that even after negotiations are completed, there will be provisions under the CMP to manage changes to the CMP.[54] The parties understand that the CMP is a dynamic process that will be subject to ongoing improvements. Now and in the future, procedures are in place to ensure that CLECs will have substantial input into the design and operation of the CMP.

CLECs also have substantial opportunities for input into the continued operation of the change management process. As discussed above, Qwest and CLECs jointly participate in a forum (the CMP forum) for managing changes related to Qwest's OSS interfaces, products, and processes that support the five categories of OSS functions (pre-ordering, ordering, provisioning, maintenance and repair, and billing). Key elements of the monthly CMP meeting were jointly developed by the CLECs and Qwest during the redesign process. These include: 1) the frequency and duration of the meeting, 2) the purpose of the meeting, 3) meeting protocol, 4) the content and distribution of meeting materials, 5) non-standard and "walk-on" agenda items, 6) the content and distribution of meeting minutes, and 7) provisions for ad hoc CMP meetings.

Qwest's current change management process, which is primarily comprised of processes that have already been implemented as a result of the CLEC-Qwest CMP redesign effort, provides opportunities for CLEC input throughout the lifecycle of a CLEC or Qwest initiated change request. For example, the process expressly provides for CLEC input regarding CLEC or Qwest initiated change requests at clarification meetings and/or at monthly CMP meetings. In addition, CLEC input regarding Qwest's proposed solutions and/or draft responses is solicited at monthly CMP meetings. Additionally, for those changes that result in Product Catalog (PCAT) or technical publication (TechPub) changes, CLECs have the opportunity to provide written comments concerning the proposed changes via a web-based customer comment tool.

The prioritization process also provides a significant opportunity for the CLECs to have input into which OSS Interface changes are implemented and into which OSS release they are implemented. Additionally, Qwest's change management processes for the introduction and retirement of OSS interfaces and changes to existing OSS interfaces provide for CLEC input throughout the development lifecycle. For example, the process for changes to an existing application-to-application OSS Interface provides three distinct opportunities for CLEC input. First, CLECs may submit written questions and comments on the draft technical specifications. Second, Qwest hosts a "walk-through" which affords the opportunity for Qwest and CLEC technical subject matter experts to discuss the upcoming changes. CLECs are encouraged to invite their

[54] Interim Draft Master Red-lined CLEC-Qwest CMP Redesign Framework Section 7. *See also* discussion of the dispute resolution process, *infra*.
(Footnote continued on next page.)

technical experts, systems architects, and designers, to attend the walk through. Third, following the walk-through, the CLECs have an opportunity to submit written comments and questions to Qwest.

Qwest's change management process is successful in providing opportunities to CLECs for substantial input. In Arizona, CGE&Y expressed confidence in the integrity and value of the change management redesign process, and was able to close all of the IWOs on change management as a result of Qwest's performance since its August 2001 report on relationship management was issued. CGE&Y's closure of the IWOs were based on CGE&Y's conclusions that "In summary, CGE&Y feels that with the collaborative nature of the re-design process, whatever agreement is reached on the subject of types of change requests and the process by which these requests are prioritized and voted upon will be satisfactory to the majority of the CLECs with representation at the Qwest CMP."

C. FCC Evaluation Criteria 3: The change management plan defines a procedure for the timely resolution of change management disputes

One factor the FCC examines in its 271 evaluation is a BOC's procedures for escalation and resolution of disputes between the CLEC and the BOC regarding OSS issues. The parties to the redesign process agreed on escalation and dispute resolution procedures, and Qwest has implemented them. The procedures are set forth in the

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<http://www.qwest.com/wholesale/cmp/redesign.html>

QWCMP.[55] As of February 14, 2002 the escalation procedures have been invoked on one occasion with regard to systems changes, and on four occasions with regard to product and process changes. The dispute resolution procedures have not yet been invoked.

Qwest and the CLECs in the redesign process jointly developed the change management escalation and dispute resolution procedures. The escalation procedures apply to all items that are the within the scope of the CMP, including issues surrounding the CMP itself and its administration.[56] The escalation procedures contain specific instructions for communicating to Qwest the escalated issue, including a statement of the CLEC's desired resolution and a request for interim action, if applicable. At the CLECs' request, the escalation process has been streamlined, and now offers CLECs a single point of contact for a given issue. The Qwest single point of contact is responsible for providing a final binding position regarding the escalated issue within seven days for a disputed change request and within 14 days for other escalations. Escalation requests and Qwest and CLEC responses are posted to the Web site.

Either a CLEC or Qwest may bypass the escalation process and immediately invoke the dispute resolution process. Like the escalation process, the CMP contains specific requirements for describing and documenting the dispute. If the parties agree, the dispute can be resolved externally through an alternative dispute resolution process.

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[55] Qwest Wholesale Change Management Process at Section at 13.0 (escalation) and 14.0 (dispute resolution), *See* <http://www.qwest.com/wholesale/cmp/whatiscmp.html>

[56] Escalations are internal, meaning that an issue is escalated within Qwest's management ranks. In contrast, dispute resolution involves external resources

alternatively, a CLEC or Qwest may submit the issue to an appropriate regulatory agency.

As of March 27, 2002, only one issue has reached an impasse in the redesign process, as the parties have been successful in negotiating solutions within the framework of the redesign sessions. The parties agreed that impasse issues will be resolved as follows: (1) Qwest will identify the impasse issues in its monthly CMP redesign status reports to the state commissions, and the issues can be treated as impasse issues in the Section 271 proceedings in those states; or (2) if a commission no longer accepts impasse issues in a 271 proceeding, Qwest or any CLEC may submit the issue following the procedures of the appropriate regulatory agency. Finally, if the parties agree, a third party may be hired to resolve the dispute. As of March 27 2002, only one issue has been declared an impasse. The impasse issue is whether OBF language that treats changes to meet performance measurements as regulatory changes should be included in the Qwest CMP definition of Regulatory Changes.[57]

In sum, if Qwest and the CLECs cannot reach agreement, either in the redesign process or in the change management forum itself, the escalation and dispute resolution procedures agreed to by the parties are used to resolve issues and produce a solution that Qwest and CLECs will accept and implement. Thus, even though the redesign process is not yet completed, the procedures already in place ensure that the

[57] The Colorado PUC recently issued an oral decision that the OBF language should not be included. A written order will be issued.

redesign process will conclude successfully with a collaborative result, and not one dictated by Qwest.[58]

D. FCC Evaluation Criteria 4: The availability of a stable testing environment that mirrors production

Effective August 1, 2001, Qwest began offering CLECs a stand-alone test environment as part of certification that CLEC systems will interface with Qwest's IMA-EDI systems and for subsequent testing of new releases of IMA-EDI software. SATE provides CLECs with the ability to learn how Qwest's IMA-EDI functions work and the ability to test their skills in a test environment that returns test responses to pre-defined test scenarios that mimic production responses. Qwest provides the account data and scenario information to users through the IMA EDI Data Document for SATE. Scenario submissions do not leave SATE during testing. By providing CLECs with a self-contained, production-like environment for sending transactions, CLECs have the opportunity to experience an environment that acts as production IMA – the gateway to Qwest's OSS – would without interfacing with the actual production environment. SATE uses test account data and requests that are subjected to the same IMA-EDI edits as those used in production.[59]

In connection with SATE, Qwest makes available the same support teams to CLECs to assist in testing and certifying CLEC interface software, as it does with

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[58] Processes already implemented from the Revised CMP may be viewed: Change Management Process Improvements Rev. 2-15-02, <http://www.qwest.com/wholesale/cmp/redesign.html>

progression testing in the Interoperability environment. Qwest's IMA-EDI Implementation Team works directly with CLECs in implementing and utilizing SATE. In addition, as discussed below, a SATE Users' Group meets regularly under the aegis of the Change Management Process to discuss SATE-related issues and to recommend, as appropriate, changes to SATE. Qwest also provides CLECs with the IMA EDI Implementation Guide and other documentation to aid in the utilization of SATE.[59] Beginning with version 9.0, the IMA EDI Implementation Guide has included a staffing plan which details Qwest's CLEC testing organizational structure and the roles and responsibilities of all resources that directly support SATE, as well as diagrams that describe the process flows of SATE.

1. SATE and the Change Management Process

Qwest built SATE to provide products and transactions that are currently being ordered by CLECs through IMA-EDI.[61] Qwest continues to monitor the products that CLECs express interest in and has proactively added products or created CMP change requests ("CRs") to add products to SATE. For example, Qwest agreed to add Unbundled Distribution Loop and Unbundled Distribution Loop with Number Portability to SATE for HP's new product evaluation, as Qwest anticipated future EDI

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[59] *See* EDI Disclosure Document, Developer Worksheets, available at <http://www.uswest.com/disclosures/netdisclosure409.html>.

[60] *See* Wholesale Web site, available at <http://www.qwest.com/wholesale/ima/edi/document.html>.

[61] The list of products can be found in the EDI Implementation Guidelines, available at <http://www.qwest.com/wholesale/ima/edi/document.html>.

implementation of these products. Qwest created a CR to add Facility Based Directory Listings to SATE, a product that was added to IMA-EDI in January 2002.[62]

In addition, to ensure that CLECs have the functionality available in SATE that they require, CLECs may request through the CMP that Qwest include additional products and functionality in its suite of SATE transactions.[63]

The SATE Users' Group was formed in November 2001 as part of CMP and includes representatives from HP, KPMG, Qwest, and the CLEC community. The purpose of the SATE Users' Group is to give Qwest and CLECs an opportunity to communicate their current plans and needs, respectively, as well as to jointly present a list of change requests to CMP that ensures that those future SATE enhancements meet the needs of CLECs.[64] Qwest's EDI Implementation team relies upon the SATE Users' Group to provide feedback to Qwest about SATE. The SATE Users' Group currently meets on a monthly basis. As of December 31, 2001, Qwest has recorded six new SATE functionality CRs based on CLEC requirements. These CRs were presented to the CMP forum in the January 17, 2002 CMP meeting and prioritized in March. SATE CRs are managed by CMP just as IMA CRs are managed.

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[62] CLECs have the ability to prioritize SATE CRs; thus the timing of the addition of new products to SATE is not entirely within Qwest's control.

[63] *See* EDI Implementation Guidelines, available at <http://www.qwest.com/wholesale/ima/edi/document.html>. The process states that "additional functionality can be agreed upon and added in later releases. Requests for transactions not currently supported may be requested via CMP." *See id.*

[64] *See* SATE Users' Group Meeting Minutes, November 13, 2001. In addition to the SATE Users' Group, individual CLEC's can request changes to SATE.

E. FCC Evaluation Criteria 5: The efficacy of the documentation the BOC makes available to CLECs for the purpose of building an electronic gateway

One factor that the FCC examines in evaluating a BOC's compliance with Section 271 is the efficacy of the BOC's EDI documentation in helping CLECs build an electronic gateway.[65] Qwest provides sufficiently detailed interface design specifications to enable competing carriers to modify or design their systems in a manner that will enable them to communicate with Qwest's systems and any relevant interfaces. The fact that twenty CLECs are certified to use EDI and that Hewlett-Packard successfully utilized Qwest's documentation to build its own EDI interface as part of third party OSS testing are both strong indicators of the efficacy of Qwest's documentation. CLECs comments contained in the CGE&Y *Final Report* assert that Qwest's EDI development process "should become the model that all other RBOCs follow."[66] Finally, the third party test results confirm the sufficiency of Qwest's EDI development and documentation processes. CGE&Y specifically concluded in its *Final Report* that "no major problems were noted with Qwest's EDI-related documentation since the re-design of the Web site during the summer of 2000."[67]

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[65] *See In the Matter of Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Arkansas and Missouri*, CC Docket No. 01-194, 16 FCC Rcd at 20866 ("*Arkansas/Missouri 271 Order*")(App. D, ¶ 42).

[66] *See Draft Final Report* <http://www.cc.state.az.us/utility/telephon/Qwest271.htm>

[67] *Id.*

F. Qwest's Pattern of Compliance

AT&T Witness, Mr. Hydock, argues that Qwest has failed to demonstrated a pattern of compliance with the change management process.

Again, Mr. Hydock's argument has no merit. Qwest has demonstrated a pattern of compliance with the change management process.[68] Qwest has complied with the agreed-upon scope of the CMP. As of March 27, 2002, Qwest has only rejected one CR on the grounds that it was not within the scope of the CMP.

In Qwest's processing of change requests, it has met its obligations with regard to the following agreed-upon process milestones: 1) sending acknowledgements to the CR originator; 2) posting CRs to Qwest's CMP Web site; 3) contacting customers to schedule clarification meetings; 4) conducting meetings to clarify CLEC CRs; 5) providing initial responses to CLEC CRs; 6) posting initial responses to Qwest's CMP Web site; 7) presenting CRs; 8) providing final responses to CLEC CRs (if applicable); and 9) posting final responses to Qwest's CMP Web site (if applicable.) Between November 1, 2001 and February 2002, Qwest processed 58 new OSS Interface CRs. Of a possible 347 milestones, Qwest was responsible for missing two milestones. This equates to a 99.42% compliance rate with the CLEC/Qwest Initiated OSS Interface CR Process. During this same time, Qwest processed 32 new CLEC initiated Product and Process CRs. Of a possible 126 milestones, Qwest was responsible for missing seven milestones. This equates to a 94.44% compliance rate with the CLEC Initiated Product

[68] One of the PIDs [established by the ROC and adopted in Arizona] will measure timeliness of Qwest's release notifications (PO-16).

and Process CR Process. Significantly, the compliance rate for this process in January and February 2002 was 100%. Qwest also has met its obligations to: 1) track and document the status of change requests; 2) to hold regular CMP meetings; 3) to provide meeting materials in advance of the meetings; and 4) to record meeting discussion, action items, and issues. This information may be found at Qwest's CMP Web site.[69]

In Qwest's processing of escalations, it has met its obligations with regard to the following agreed-upon process milestones: 1) acknowledging receipt of escalation; 2) posting escalation on Qwest's CMP Web site; 3) issuing notice to CLECs; and 4) providing Qwest's binding response. As of February 2002, Qwest processed one OSS Interface escalation and four Product/Process escalations. Of a possible 16 milestones, Qwest was responsible for missing one milestone. This equates to a 93.75% compliance rate with the Escalation Process. Qwest also met its obligations regarding the development and implementation of a web-based tool for escalation requests.

Qwest made a commitment to provide green highlighting of all changes published in the PCAT and to red-line all changes published in the TechPubs beginning January 2, 2002. Since then, Qwest has published 102 PCAT and ten TechPub changes. All of these documents contained the agreed-upon highlighting/red-lining web notification forms, history logs, and customer notification forms.

Qwest has demonstrated compliance with the Prioritization Process. In February 2002, CLECs and Qwest jointly prioritized CLEC-Originated CRs, Qwest-Originated CRs, and Industry Guideline CRs for the IMA 11.0 Release. At that time, there were

[69] *See* <http://www.qwest.com/wholesale/cmp/index.html>

only nine outstanding CLEC-initiated CRs. In addition to demonstrating a pattern of compliance with its change management procedures, Qwest also established a pattern of quickly implementing agreements reached in the redesign process. Qwest also demonstrated a pattern of compliance with its release notification and documentation changes requirements.

Mr. Hydock claims that Qwest has not followed through on its promise to update its technical publications and its product catalog (PCAT) to ensure that those documents were consistent with the SGAT.

Again, Mr. Hydock is mistaken – for two reasons. First, Qwest has a long-standing procedure that links the Product Managers to those that manage the contents of the SGAT. During negotiation for modifications to the SGAT working meetings are routinely held with the Product Managers affected by the SGAT change. Once the Change has been negotiated the Product Team has 45 days to implement the change in the PCAT so that the information in the PCAT and SGAT are aligned. During this time the Product Manager works with the manager of the impacted Technical Publication to assure that document is aligned with the PCAT. Second, the publications listed in Mr. Hydock's testimony have been reviewed. Qwest met each commitment for these documents within 45 days and all commitments were met by August 2001. The publications are current and aligned with the SGAT.

Mr. Hydock asserts that the CMP redesign process is not complete and implies that it should have to complete with KPMG's approval before it is considered compliant.[70]

The change management process is dynamic, as all processes are dynamic. Qwest launched a redesign effort to ensure the change management process framework had full and meaningful input by the CLECs. Throughout the negotiation of the redesigned process the CLECs have underscored the need for the process to be flexible. The QWCMP specifically provides for the process to be flexible. "A standing agenda item at the regular change management meetings will provide an opportunity for Qwest and CLECs to assess the effectiveness of the CMP. Both the CLECs and Qwest will use this opportunity to provide feedback of instances of non-compliance and commit to taking appropriate action(s)."[71]

Each time a process is approved for implementation and inserted into the redesigned framework, Qwest has employed the process at the next available opportunity. This can be verified by review of the Web documentation, the OSS Calendar, the document controls and more as listed previously. Moreover, the CLECs had substantial input in setting the agenda items for each CMP redesign session and were never precluded from raising any issue at any point in the process. KPMG has observed that Qwest used the agreed upon processes when the opportunity became available. "KPMG Consulting reviewed the IMA 11.0 CR Prioritization form that Qwest

[70] Hydock Affidavit at 33.

distributed on February 25, 2002, in which Qwest disclosed release capacity and LOE for both Qwest and CLEC initiated CRs in terms of person hours."[71] The dynamic to implement processes in the re-designed CMP as the opportunity to do so becomes available will continue.

Mr. Hydock appears to suggest that the Commission should wait until Qwest "run[s] a major OSS change through the redesigned CMP process to ensure that it is actually functioning in the manner it is suppose to" before assessing Qwest's pattern of compliance.[73] No such delay is warranted because Qwest has already established a sufficient track record of compliance.

Qwest has implemented each process upon agreement of that process within the CMP redesign work with the CLECs. The processes that document CR initiation, prioritization and implementation (Release Management) have been agreed upon. The Release for 9.0 was well into the timeline for implementation, yet agreed upon processes that could be implemented were used for that release. For example, SATE was available approximately 30 days in advance of implementation. In addition, Qwest

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[71] Qwest Wholesale Change Management Process Section 7. *See also* discussion of the dispute resolution process, *infra*. <http://www.qwest.com/wholesale/cmp/whatiscmp.html>

[72] KPMG, Exception 3111.

[73] Hydock Affidavit at 33.

publishes a Release calendar to the CMP Web site with the agreed to milestones for each Release including the projected meeting date. The calendar is complete through Release 11.0.[74] Qwest has demonstrated a pattern of compliance by meeting the dates and completing the work associated with each specific milestone.

[74] *See* <http://www.qwest.com/wholesale/cmp/osscalendar.html>

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271 (C) OF THE TELECOMMUNICATIONS ACT OF 1996	))))	DOCKET TC 01-165

QWEST CORPORATION'S

EXHIBITS

OF

LYNN M. V. NOTARIANNI

CHECKLIST ITEM 2 – OPERATIONS SUPPORT SYSTEMS (OSS)

APRIL 2, 2002

INDEX TO EXHIBITS

DESCRIPTION	EXHIBIT
Multistate Exhibit WS3-ATT-MFH-2	LVN-1

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

In the Matter of the Investigation into Qwest Corporation's Compliance with Section 271(c) of the Telecommunications Act of 1996	)	**Docket No. TC01-165**

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this 26th day of March, 2002.

STATE OF Colorado)
)ss.
COUNTY OF Denver)

Subscribed and sworn before me this 26th day of March, 2002.

Notary Public

PAMELA L. LANING
Notary Public
State of Colorado
My Commission Expires
06-29-2002

Docket No. TC 01-165
Qwest Corporation
Rebuttal Affidavit of Lynn M. V. Notarianni
Exhibit LVN-1
April 2, 2002

Multistate Exhibit WS3-ATT-MFH-2

12.2.9.3 Qwest will provide CLEC with access to a stable testing environment to certify that its OSS will be capable of interacting smoothly and efficiently with Qwest's OSS. Qwest has established the following test processes to assure the implementation of a solid interface between Qwest and CLEC:

12.2.9.3.1 Connectivity Testing – CLEC and Qwest will conduct connectivity testing ~~calls~~. This test will establish the ability of the trading partners to send and receive ~~EDI data~~EDI, CORBA and other application-to-application interface messages effectively. This test verifies the communications between the trading partners. Connectivity is established during each phase of the implementation cycle. This test is also conducted prior to Certification Testing and before going live in the production environment if CLEC has implemented environment changes when moving into production.

Connectivity testing will also be conducted prior to the implementation of changes that Qwest makes to the means by which CLEC interconnects with Qwest for application-to-application interfaces.

12.2.9.3.2 Stand-Alone Testing Environment – Qwest ~~is developing a~~will conduct stand-alone testing ~~environment~~ to take pre-order and order requests, ~~pass them to the stand-alone database,~~process them within its OSS and legacy systems and databases, and return responses to CLEC, consistent with Qwest business rules during its CLEC development and implementation of EDI/CORBA and other application-~~EDI~~-to-application interfaces. The Stand-Alone Testing Environment provides CLEC the opportunity to validate its technical development efforts. The Stand-Alone Testing Environment will be separate from the production environment. While separate from the production environment, the Stand-Alone Testing Environment will be designed such that the results of testing in the Stand-Alone Testing Environment will be identical to the results produced in the production environment. When CLEC is testing its interface with a new Qwest release, the test systems are migrated into production at the conclusion of Qwest-CLEC joint testing ensuring consistency of results. In the testing with an existing Qwest release, the test environment is to be a mirror of the existing Qwest production environment.

This testing verifies CLEC's ability to ~~sent~~send correctly formatted EDI, CORBA and other application-to-application interface transactions through the ~~EDI/IMA~~Qwest interface and system edits successfully both for new and existing releases. Stand Alone Testing uses test account data and may use test engineering data. Qwest will provide a test bed of test accounts and test engineering data as requested by CLEC for loop-related testing that can be used to submit stand alone test transactions. Qwest will make additions to the test beds to introduce new OSS capabilities, new products and services, new interface features, and functionalities, that are to be used by CLECs to ensure that their systems work with Qwest's systems. All stand alone test pre-order queries and orders are subjected to the same edits as production orders. This testing phase is optional.

12.2.9.3.3 Interoperability Testing – CLEC has the option of participating with Qwest in interoperability testing to provide CLEC with the opportunity to validate technical development efforts and to quantify processing results. The Interoperability Testing Environment will be separate from the production environment. While separate from the production environment, the Interoperability Testing Environment will be designed such that the results of testing in the Interoperability Testing Environment will be identical to

the results produced in the production environment. When CLEC is testing its interface with a new Qwest release, the test systems are migrated into production at the conclusion of Qwest-CLEC joint testing ensuring consistency of results. In the testing with an existing Qwest release, the test environment is to be a mirror of the existing Qwest production environment.

Interoperability testing verifies CLEC's ability to send correct EDI, CORBA and other application-to-application interface transactions through the ~~EDI/IMA~~Qwest interface and system edits successfully. Interoperability testing requires the use of valid Qwest data. Qwest will provide a test bed of test accounts and test engineering data as requested by CLEC for the loop-related testing that can be used to submit interoperability test transactions. All interoperability pre-orders and orders are subjected to the same edits as production orders. This testing phase is optional when CLEC has conducted Stand-Alone Testing successfully

12.2.9.3.4 Controlled Production Testing – Qwest and CLEC will perform controlled production. The controlled production process is designed to validate the ability of CLEC to transmit EDI, CORBA and other application-to-application interface messages and data that ~~completely meets~~meet ANSI X12 standards definitions and complies with all Qwest business rules. When Qwest migrates its OSS interfaces to more advanced industry standards consistent with its CICMP, Controlled Production Testing will validate CLEC systems compliance with those standards as adopted by Qwest and published as Qwest interface specifications. Controlled production consists of the controlled submission of actual CLEC production requests to the Qwest production environment. Qwest treats these pre-order queries and orders as production ~~orders transactions~~. Qwest and CLEC use controlled production results to determine operational readiness. Controlled production requires the use of valid account and order data. All certification orders are considered to be live orders and will be provisioned.

12.2.9.3.5 **Comprehensive Production Testing** — Comprehensive Production Testing provides a CLEC with a stable test environment that permits a comprehensive testing of the totality of Qwest's operational interfaces and processes in conjunction with the actual preordering, ordering, provisioning, billing and maintenance of Network Elements, Ancillary Services and Combinations, including, without limitation, UNE-P, prior to or contemporaneously with the offering by CLEC of any CLEC product or service incorporating Qwest's Network Elements, Combinations or Ancillary Services. Such Comprehensive Production Testing shall be designed to permit an individual CLEC to test its own operational interfaces and processes in conjunction with Qwest's and shall be in addition to any testing processes engaged in by Qwest per testing conducted by, for, or under the auspices of the Regional Oversight Committee. Comprehensive Production Testing is distinguishable from Controlled Production testing in that Comprehensive Production Testing provides testing of Qwest's operational interfaces and processes without reference to "controlled" production results.

12.2.9.3.5.1 Comprehensive Production Testing means that Qwest shall cooperate with CLEC upon request or as needed to: (a) ensure that the Network Elements, Combinations, Ancillary Functions and additional requirements that are or may be provided to CLEC by Qwest are in compliance with the requirements of this Agreement, (b) test the overall functionality of various Network Elements, Combinations and Ancillary Functions provided by Qwest to CLEC in combination with each

other or in combination with other equipment and facilities provided by CLEC or third parties, and (c) ensure that all operational interfaces and processes, including EDI, CORBA, IMA and other application-to-application interfaces, are in place and functioning properly and efficiently (i) for all ordering and preordering functions of Network Elements and Ancillary Functions, (ii) for the provisioning and maintenance of Network Elements and Ancillary Functions, and (iii) so that all appropriate billing data can be provided to CLEC.

12.2.9.3.5.2 Comprehensive Production Testing may be conducted, at the option of CLEC, at any time during the term of this Agreement, including, but not limited to, prior to actual deployment to end users of any CLEC product or service incorporating Qwest's Network Elements, Combinations or Ancillary Services. Comprehensive Production Testing may be conducted by CLEC for any purpose including, but not limited to, determining whether any product or service CLEC desires to offer to an end user incorporating Qwest's Network Elements, Combinations or Ancillary Services can be actually deployed by CLEC.

12.2.9.3.5.3 Qwest shall participate in Comprehensive Production Testing upon CLEC's request to test any operational interface or process used to provide Network Elements, Ancillary Functions or services to CLEC. CLEC and Qwest shall commence and complete Comprehensive Production Testing promptly.

12.2.9.3.5.4 Within ten (10) business days after CLEC's written notice to Qwest of its intent to conduct Comprehensive Production Testing, CLEC and Qwest shall meet and continue meeting (at least frequently than once per week thereafter) to agree upon a process to resolve technical issues relating to Comprehensive Production Testing. Within thirty (30) business days after CLEC's written notice to Qwest of its intent to conduct Comprehensive Production Testing, CLEC and Qwest shall have agreed on processes and procedures for implementing Comprehensive Production Testing as intended by CLEC. The agreed upon process shall include procedures for escalation disputes and unresolved issues up through higher levels of each company's management. If (a) CLEC and Qwest do not reach agreement on such a process within thirty (30) days after notice to Qwest of CLEC's intent to conduct Comprehensive Production Testing, or (b) Qwest has failed to meet or continue meeting with CLEC or otherwise asserted its intention not to conduct Comprehensive Production Testing, or (c) during any Comprehensive Production Testing Qwest fails to satisfy any of the requirements set forth in this Section 12.2.9.3.5, any issues that have not been resolved by the parties with respect to such process or Qwest's failure to satisfy any of the requirements of this Section 12.2.9.3.5 shall be submitted, at the sole discretion of CLEC, to either (a) the Dispute Resolution procedures set forth in Section 5.18 of this Agreement or (b) any expedited dispute resolution or complaint process available or permitted by or before the Commission.

12.2.9.3.5.5 Qwest shall provide CLEC, for testing purposes, access at any interface between a Qwest Network Element or Combination and CLEC equipment or facilities. Such test access shall be sufficient to ensure that the applicable requirements can be tested by CLEC. This access shall be available seven (7) days per week, twenty-four (24) hours per day. CLEC may test any Network Elements, Ancillary

Functions or additional requirements provided by Qwest pursuant to this Agreement.

12.2.9.3.5.6 CLEC may test any OSS, including EDI, CORBA, IMA, and other application-to-application interfaces provided by Qwest pursuant to this Agreement. Qwest shall provide a test environment for CLECs to test and interact with new versions of Qwest's gateway systems and software.

12.2.9.3.5.7 Qwest shall provide engineering data as requested by CLEC for the loop components that CLEC may desire to test. Such data shall include equipment engineering and cable specifications, spacing and transmission path data.

12.2.9.3.5.8 Upon CLEC's request, Qwest shall provide CLEC any office records, central office layout and design records, and drawings, system engineering and other applicable documentation pertaining to a Network Element or Ancillary Function or the underlying equipment that is then providing a Network Element or Ancillary Function to CLEC.

12.2.9.3.5.9 Qwest shall provide CLEC, upon request, any appropriate test results from Qwest testing activities on a Network Element, Ancillary Function, Additional Requirement or the underlying equipment providing CLEC a Network Element, Ancillary Function or additional requirement. CLEC may review such testing results and may ask Qwest to rectify any deficiencies that are detected.

12.2.9.3.5.10 For the purposes of Comprehensive Production Testing, Qwest shall temporarily provision selected Local Switching features for testing. Within sixty (60) days of the Effective Date of the Agreement, CLEC and Qwest shall mutually agree on the procedures to be established between Qwest and CLEC to expedite such provisioning processes for feature testing.

12.2.9.3.5.11 For the purposes of Comprehensive Production Testing, Qwest shall provision, whether singly or as part of a Combination, any kind of Unbundled Loops designated by CLEC in such quantities and to any location or locations reasonably requested by CLEC. For example, Qwest shall provision, either singly or as part of a Combination, a "residential" loop to a commercial facility, such as an office building. In such cases, Qwest shall not assert that tariff limitations restrict such provisioning.

12.2.9.3.5.12 Upon CLEC's request, Qwest shall provide technical staff to meet with CLEC representatives to provide required support for Comprehensive Production Testing.

12.2.9.3.5.13 Dedicated Transport and Loop Facilities may experience alarm conditions due to in-egress tests. Qwest shall not remove such facilities from service without obtaining CLEC's prior approval.

12.2.9.3.5.14 Qwest may conduct tests or maintenance procedures on Network Elements or Ancillary Functions (or the underlying equipment that is then providing a Network Element or Ancillary Function) that cause a service interruption or degradation if such tests and procedures are conducted at a time that is mutually acceptable to CLEC and Qwest.

12.2.9.3.5.15 Qwest shall provide CLEC a single point of contact that is available seven (7) days per week, twenty-four (24) hours per day for trouble status, sectionalization, resolution, escalation and closure. Said staff shall be adequately skilled to facilitate expeditious problem resolution.

12.2.9.3.5.16 Qwest shall provide CLEC electronic access to 105 responders, 100-type test lines, or 102-type test lines associated with any circuits under test.

12.2.9.3.5.17 During Comprehensive Production Testing, Qwest provisioning processes shall be enhanced to deliver CLEC Network Elements, Ancillary Functions and any additional requirements in shorter intervals than during subsequent normal service periods.

12.2.9.3.5.18 Qwest shall participate in Comprehensive Production Testing whenever it is deemed necessary by CLEC to ensure service performance, reliability and customer serviceability.

12.2.9.3.5.19 CLEC may accept or reject the Network Element ordered by CLEC if upon completion of cooperative acceptance testing, the tested Network Element does not meet the requirements stated herein.

12.2.9.3.5.19 Either party may supply information about the Comprehensive Production Testing conducted pursuant this section to regulatory agencies including the Federal Communications Commission and the Commission so long as any confidential information is protected pursuant to the terms of Section 5.16.

12.2.9.3.5 If CLEC is using EDI, CORBA, or another application-to-application interface, Qwest shall provide CLEC with a pre-allotted amount of time to complete certification of its business scenarios. It is the sole responsibility of CLEC to schedule an appointment with Qwest for certification of its business scenarios. CLEC must comply with the agreed upon dates and times scheduled for the certification of its business scenarios. If the certification of business scenarios is delayed due to CLEC, it is the sole responsibility of CLEC to schedule new appointments for certification of its business scenarios. Conflicts in the schedule could result in certification being delayed. If a delay is due to Qwest, Qwest will honor CLEC's schedule through the use of alternative hours.

12.2.9.4 If CLEC is using the EDI, CORBA or another application-to-application interface, CLEC must work with QWEST to certify the business scenarios that CLEC will be using in order to ensure successful transaction processing. Qwest and CLEC shall mutually agree to the business scenarios for which CLEC is required to be certified. Certification is granted only for a specific release of EDI, Qwest's EDI and CORBA interfaces.

12.2.9.4.1 For new a new software release or upgrade, Qwest will provide CLEC a testing environment that mirrors the production environment in order for CLEC to test the new release. For software releases and upgrades, Qwest has

implemented the testing processes set forth in Section 12.2.9.3.2, 12.2.9.3.3 and 12.2.9.3.4.

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

RECEIVED
APR 03 2002
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271 (C) OF THE TELECOMMUNICATIONS ACT OF 1996	))))	DOCKET TC 01-165

QWEST CORPORATION'S

REBUTTAL AFFIDAVIT

OF

MARK S. REYNOLDS

PERFORMANCE ASSURANCE PLAN

April 2, 2002

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REBUTTAL AFFIDAVIT

OF

MARK REYNOLDS

Performance Assurance Plan

Mark Reynolds declares as follows:

My name is Mark Reynolds. My business address is 1600 7th Avenue, Room 3206, Seattle, Washington 98191. I am Senior Director – Financial Advocacy for Qwest Corporation ("Qwest"). My education and professional experience are described in my prior affidavit in this proceeding dated October 24, 2001.

I. EXECUTIVE SUMMARY

The purpose of this rebuttal affidavit is to respond to the questions concerning Qwest's performance assurance plan ("QPAP") raised in this proceeding by the following parties: Mark L. Stacy on behalf of the Staff of the Public Utilities Commission of South Dakota; Kyle D. White on behalf of Black Hills FiberCom, LLC ("FiberCom"); W. Thomas Simmons on behalf of Midcontinent Communications ("Midcontinent"); and John F. Finnegan on behalf of AT&T Communications of the Midwest, Inc. ("AT&T").[1] As I explained in my prior affidavit, the QPAP is a robust self-executing performance measurement and enforcement mechanism, and fully satisfies the FCC's criteria for an

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[1] *See* Direct Testimony of Mark L. Stacy On Behalf of the Staff of the Public Utilities Commission of South Dakota, Mar. 18, 2002, ("Stacy Testimony"); Direct Testimony of Kyle D. White on Behalf of Black Hills FiberCom, LLC, Mar. 18, 2002 ("FiberCom Testimony"); Pre-filed Testimony of W. Tom Simmons on Behalf of Midcontinent Communications, Mar. 18, 2002 ("Midcontinent Testimony"); AT&T Witness John Finnegan's Verified Comments on Qwest's Performance Assurance Plan, Mar. 18, 2002 ("AT&T Comments").

acceptable performance plan. Indeed, as noted below, the key elements of the QPAP (including most of those to which AT&T and Mr. Stacy object) mirror those in SBC's plans for Texas, Kansas, Oklahoma, Arkansas, and Missouri, and have thus already been approved by the FCC.

FiberCom and Midcontinent raise specific issues concerning provisions of the QPAP, but they also largely accept the basic parameters of the plan Qwest developed in the Multistate Workshops and agree with many of the Multistate Facilitator's modifications to that plan.[2] As described below, Qwest has implemented many of these recommendations in its multistate QPAP and would be willing to offer the multistate QPAP here. In any event, I believe that many of the concerns of these two parties can be adequately addressed through minor revisions to the South Dakota QPAP. AT&T, on the other hand, mischaracterizes the history and nature of the QPAP and makes a number of totally unreasonable demands that conform neither to the FCC's decisions in approving prior plans nor to the needs of the CLECs in South Dakota.

II. BACKGROUND

Although I will address each of the parties' specific concerns in detail below, as an initial matter, I would like to clarify the history and development of the QPAP, a subject mischaracterized by AT&T. As I discussed in my prior affidavit, the QPAP Qwest

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[2] See FiberCom Testimony at 3. FiberCom suggests that it has been unable to ascertain how Qwest is performing under the PIDs established in the plan. Id. at 7. In fact, these PIDs were established long ago, and only a few of them are currently still under review. FiberCom could have reviewed Qwest's monthly performance reports, but apparently has never done so. See id.

submitted in this proceeding was not drafted in a legal vacuum. Qwest began with a plan modeled closely along the lines of that previously approved by the FCC in its review of SBC's section 271 application for Texas. *Each of the critical principles of the QPAP described in my original affidavit, and endorsed by the Multistate Facilitator in his report,[3] was reflected in the Texas plan approved by the FCC (and approved in at least four other plans thereafter).* Those principles therefore unquestionably lie well within the FCC's controlling "zone of reasonableness"[4] standard for determining whether such plans are designed to ensure that "a BOC would continue to satisfy the requirements of section 271 after entering the long distance market."[5] Mr. Stacy notes that the FCC "has previously predicted that the enforcement mechanisms developed in [the Texas plan] . . . would be effective in practice."[6] The Commission's review of similar mechanisms in the QPAP should therefore proceed with appropriate regard for the FCC's view of the zone of reasonableness standard, and not based on the quite different standard that "more is better."

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3 Report on Qwest's Performance Assurance Plan, *In the Matter of the Investigation into US WEST Communications Inc.'s Compliance with Section 271 of the Telecommunications Act of 1996*, Docket No. 020000-9-70, Oct. 22, 2001, at 4 ("Multistate Facilitator's Report").

4 Memorandum Opinion and Order, *Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Service in the State of New York*, 15 FCC Rcd 3953 ¶ 433 (1999) (subsequent history omitted) ("*New York Order*").

5 *Id.* ¶ 429.

6 Stacy Testimony at 14 n.5.

But Qwest did far more in this case than simply submit a QPAP modeled on the FCC-approved Texas plan. These efforts are completely ignored by AT&T. As noted in my prior affidavit, Qwest agreed to subject that proposal to an extensive review by CLECs and state staffs from this and ten other states, through the ROC PEPP collaborative from October 2000 to May 2001. That review led to a number of further compromises from the Texas plan by Qwest -- including changes to the statistical methodology crucial to the parity measurements upon which the plan is based, changes to the de-escalation features of the Texas plan, elimination of payment caps on virtually all individual performance measurements, increased payments for collocation important to CLECs, reclassification of some measurements' payment level from medium to high, addition of a per measure payment structure for region-wide measures, and agreement that ROC PIDs would be used to define measures and how measures would be evaluated.[7]

AT&T's comments do not address these prior efforts or the prior plans approved by the FCC which clearly demonstrate that the QPAP provisions are reasonable. Instead, AT&T relies time and time again on decisions from Wyoming, Montana, and Colorado (and only with respect to plan provisions that it prefers) that have never been

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[7] *See* Multistate Facilitator's Report at 1. Thus, to say that Qwest thereafter "walked away" from the ROC PEPP collaborative after agreeing to a seven-month process for compromise in efforts to resolve impasse issues (AT&T Comments at 3) is rather absurd. When it became clear that the parties still could not resolve all of their differences over the many provisions of this complex plan, they proceeded to more formal hearings to resolve them. AT&T simply does not like the outcome of that resolution -- or simply wants to delay its implementation.

reviewed by the FCC. AT&T's selective citation to provisions of other plans is not a relevant guide to this Commission. The Colorado plan was drafted not by Qwest but by the Special Master, the Colorado Staff, and the hearing commissioner. It is a very different plan, based on a very different record. Each plan reflects an overall balance of gives and takes on specific issues, which cannot be viewed in isolation. Moreover, Qwest has not yet indicated its willingness to accept any of these plans. Indeed, with respect to Wyoming, Qwest has expressed to the Wyoming Commission its "deep concerns" with the commission's decision and its "inability to accept this unprecedented set of proposed modifications."[8]

The only question before this Commission is whether the plan submitted by *Qwest* meets those criteria, not whether another plan may be preferred by other Commissions.[9] In fact, the major concepts and provisions contained in the QPAP have already been accepted by the FCC, including:

- An annual hard cap based on 36% of net return, as calculated from ARMIS data;
- 100% cap for interval measures;
- A six-month limit on payment escalation;
- Tier 2 payments after three months of nonconforming performance.

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8 Letter from R. Steven Davis, Qwest Corporation to Steve Ellenbecker, Chairman, Wyoming Public Service Commission, Feb. 18, 2002, at 1, 2.

9 Mr. Stacy's citation to the FCC's *Pennsylvania Order* for the proposition that each state plan can differ is not to the contrary. That order simply stated the truism that plans need not be identical in every state. It does not mean that a BOC offering a plan that conforms to prior FCC-approved plans can be treated differently from those other BOCs without any reason based on unique circumstances in its state.

- Payments in the form of bill credits.
- Requiring consensus agreement for modifications to the plan arising out of the six-month review;
- Effective date upon FCC approval of the section 271 application.

Because its core elements have already been approved in previous section 271 applications, Qwest believes that the QPAP it has filed in this state will be acceptable to the FCC and is in the public interest.

I would also like at the outset to address one other point made by FiberCom. As it notes, Qwest agreed in November 2001 to make almost all of the Facilitator's recommendations for *further* changes to the QPAP following hearings that he held and in response to his comprehensive decision. Qwest did not agree with many of those changes, and agreed to make them only because it believed that doing so could advance a resolution of the QPAP dockets in those states. FiberCom suggests that those further changes should now also be imported into the QPAP in South Dakota. Qwest would have no objection to accepting in South Dakota the version of the QPAP that it agreed to accept in the multistate jurisdictions last November. But it agreed to those changes only on the assumption that doing so would make the plan acceptable to AT&T and other CLECs. Qwest has no interest in simply continuing to make compromises in the QPAP not required by the FCC and not contained in the plans governing other BOCs in the absence of any recognition by CLECs or by Staff that those concessions will form the basis for an acceptable plan. As the Facilitator recognized, "we nee[d] to be careful not to support an improvement in what [a] party got

without considering what had been given in return," lest "we risk disrupting important balances reflected" in the plan.[10]

III. SPECIFIC ISSUES RAISED BY PARTIES

A. Payment Structure and Amounts

1. Payment Levels

FiberCom argues that Qwest's proposed per occurrence payment levels do not account for the business impacts to CLECs of missed standards under the QPAP.[11] The QPAP payment structure and payment levels have been previously approved by the FCC on three separate occasions for five different states: Texas, Kansas, Oklahoma, Arkansas, and Missouri. And these levels received substantial CLEC endorsement in the ROC PEPP collaborative, in which South Dakota staff participated.

FiberCom provides no contrary evidence that these FCC-approved payment levels are not compensatory. Indeed, the QPAP payment levels are not, as FiberCom suggests,[12] merely "near" the revenue Qwest receives from CLEC for the relevant service. My prior testimony actually demonstrated that in many cases the payments are many times the service price level, effectively resulting in many months of free service. Finally, because the plan is self-executing, payments are made to CLECs regardless of

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[10] Multistate Facilitator's Report at 2.

[11] FiberCom Testimony at 9. AT&T does not dispute the QPAP payment levels, and likewise did not challenge the Multistate Facilitator's approval of these levels. *See* AT&T Comments; AT&T's Exceptions to the Liberty Consulting Group's QPAP Report, Nov. 1, 2001 ("AT&T Exceptions").

[12] FiberCom Testimony at 9.

whether any actual harm was caused by Qwest's nonconformance with the measurement standards. Thus, in many cases, the CLEC would be substantially overcompensated by the QPAP. In light of these considerations, there is no reason here to find unacceptable levels of payments in the QPAP which are consistent with those in other plans approved by the FCC.

2. Annual Cap

FiberCom challenges the 36% overall cap on QPAP payments, suggesting that if payments reach the cap before the end of the year, the cap should increase by $1.25 million per month until the end of the year.[13] Mr. Stacy argues that Qwest's potential liability should not be capped at *any* level.[14] Both of these arguments are muted by the FCC's 271 orders approving such a cap as sufficient time and again.

In application after application, the FCC has approved an absolute limit on the BOC's liability.[15] More specifically, the FCC has repeatedly found that placing 36% of

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13 *See id.* at 10. Similarly, AT&T advocates a "procedural" cap on Qwest's overall liability. *See* AT&T Comments at 30-33.

14 *See* Stacy Testimony at 11-22.

15 *See New York Order* ¶ 435; Memorandum Opinion and Order, *Application by SBC Communications Inc., Southwestern Bell Telephone Company, And Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Texas*, 15 FCC Rcd 18354 ¶ 424 (2000) ("Texas Order"); Memorandum Opinion and Order, *Joint Application by SBC Communications, Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Kansas and Oklahoma*, 16 FCC Rcd 6237 ¶ 274 (2001) (subsequent history omitted) ("Kansas/Oklahoma Order"); Memorandum Opinion and Order, *Application of Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon*

the BOC's net local revenues at risk constituted a "meaningful incentive" to maintain a "high level" of performance.[16] Indeed, it has squarely rejected the assertion that a 36% cap provides an inadequate incentive: "We . . . disagree with commenters that suggest that this amount is insufficient and fails to provide adequate assurance of compliance in the future."[17] The commenting parties have failed to demonstrate that the particular facts in this case raise considerations that were not present in the FCC's previous section 271 applications in which a 36% hard cap was included in the plan.[18] In the absence of such a demonstration, the Commission should reject any assertion that a 36% cap provides inadequate financial incentive. This is particularly true in light of the FCC's holding that liability under the PAP need not be sufficient "*standing alone*,

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Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions) And Verizon Global Networks Inc., For Authorization to Provide In-Region, InterLATA Services in Massachusetts, 16 FCC Rcd 8988 ¶ 241 (2001) ("Massachusetts Order"); Memorandum Opinion and Order, *Application of Verizon New York Inc., Verizon Long Distance, Verizon Enterprise Solutions, Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization to Provide In-Region, InterLATA Services in Connecticut*, 16 FCC Rcd 14147 ¶ 76 (2001) ("Connecticut Order"); Memorandum Opinion and Order, *Joint Application by SBC Communications Inc., Southwestern Bell Tel. Co., and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Arkansas and Missouri*, 16 FCC Rcd 20719 ¶¶ 128-29 & n.409 (2001) ("Arkansas/Missouri Order").

16 *See New York Order* ¶¶ 435-36; *Texas Order* ¶ 424; *Kansas/Oklahoma Order* ¶ 274; *Connecticut Order* ¶ 76; *Arkansas/Missouri Order* ¶¶ 128-29 & n.409.

17 *See Kansas/Oklahoma Order* ¶ 274 (footnote omitted).

18 FiberCom argues that $15 million a year can translate to 20 cents a day per customer. *See* FiberCom Testimony at 9. This fuzzy math cannot obscure the point that placing *over a third* of Qwest's net return from its South Dakota

to completely counterbalance [the BOC's] incentive to discriminate,"[18] in light of other incentives, such as the risk of federal enforcement action (including the potential loss of long distance authorization).

Moreover, as the Multistate Facilitator recognized, Qwest should not be forced to decide whether to accept the significant undertaking it has made in the QPAP without some assurance as to the limit of the potential liability in that undertaking.[19] This is particularly true in light of the fact that subjecting Qwest to unlimited liability has not been shown to be necessary to accomplish the goals of the QPAP — either to provide sufficient incentive for Qwest's wholesale performance or to compensate CLECs for the harm associated with poor performance.

FiberCom also argues that the 36% net return calculation should be updated annually based on previous calendar year data.[21] In order to provide Qwest (and the CLECs) with some measure of certainty regarding Qwest's obligations, the QPAP provides that the payment cap is to be calculated based on Qwest's known net local revenues, as measured by FCC ARMIS data for 1999. As the Multistate Facilitator stated, "it appears preferable to rely upon the firm dollar amounts that the QPAP provides for, as opposed to taking a ratcheting risk of unknown direction and

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regulated operations at risk under the QPAP is a potentially enormous risk to its business prospects in this State.

19 *New York Order* ¶ 435 (emphasis in original).

20 *See* Multistate Facilitator's Report at 16.

21 *See* FiberCom Testimony at 11.

unknowable magnitude."[22] The Facilitator recognized that Qwest's net local revenue is equally likely (if not more likely) to decrease rather than increase in future years following the acceleration of local competition, and that the total dollars at risk may, therefore, actually be higher if the cap is based on the 1999 amounts.[23]

The Texas, Kansas, Oklahoma, Arkansas, and Missouri plans provide for an annual recalculation of the cap, but only to *decrease* the total dollars at risk in subsequent years.[24] And the most recent of these plans approved by the FCC, submitted in August 2001, continues to rely on 1999 ARMIS data.[25] However, if the Commission is not persuaded that the Facilitator's rationale for a fixed cap is acceptable, Qwest would have no objection to a continuous annual recalculation of the 36% cap based upon the most recently available ARMIS data, by inclusion of the following language:

> The cap shall be recalculated each year based upon the prior year's South Dakota ARMIS results. Qwest shall submit to the Commission the calculation of each year's cap no later than 30 days after submission of ARMIS results to the FCC.[26]

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[22] Multistate Facilitator's Report at 22.

[23] *Id.* at 21-22.

[24] Those plans recalculate the cap within a narrow range and impose a ceiling in the amount of the total dollars at risk in the first year. *See* section 7.3 of Texas, Kansas, Oklahoma, Arkansas, and Missouri PAPs.

[25] Affidavit of William R. Dysart, for Missouri, *In the Matter of Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Arkansas and Missouri*, FCC, Aug. 13, 2001, at 9 n.14.

[26] FiberCom also notes that in light of the annual cap, "[a]ny CLECs receiving poor service early in the year are compensated." FiberCom Testimony at 18. Qwest

Mr. Stacy argues that there should be no limit on Qwest's annual liability under the QPAP, because any such limit would allow Qwest to treat the QPAP payments as a cost of doing business.[27] He argues that Qwest could calculate the amount of QPAP payments it would have to make for nonconforming service and weigh these against the marginal cost of compliance with its QPAP obligations.[28] The same argument was made by QSI in the multistate hearing, based on testimony from Mr. Stacy's colleague, Dr. Griffing,[29] on behalf of the New Mexico Advocacy Staff.[30] The Facilitator fully rejected that argument, noting that Dr. Griffing himself admitted that no party had submitted evidence as to Qwest's marginal cost of compliance, and that it might be *impossible* for Qwest to make such a calculation.[31] The Facilitator also stated that the CLECs' argument ignored other costs that Qwest might face for repeated nonconforming service, such as enforcement proceedings and the revocation of section 271 approval.[32] Mr. Stacy similarly acknowledges that undertaking a marginal cost of

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would have no objection to the kind of "pro rata distribution" mechanism (*id.*) implemented in response to the Multistate Facilitator's recommendation on this point in the November 2001 multistate QPAP.

27 *See* Stacy Testimony at 12.

28 *Id.* at 17.

29 *See* Multistate Facilitator's Report at 20-21.

30 Testimony of Marion Griffing, *In the Matter of the Investigation into US West Communications Inc.'s Compliance with Section 271 of the Telecommunications Act of 1996*, Aug. 27, 2001 ("8/27/01 Tr.") at 115.

31 *See* Multistate Facilitator's Report at 21.

32 *See id.*

compliance demonstration may not be possible, and that the Facilitator found it "impossible to perform."[33] To premise the requirement of unlimited financial exposure on the lack of evidence that is concededly impossible to obtain would be consistent neither with the FCC's orders approving other plans nor with rational decisionmaking.

Finally, Mr. Stacy's claim that a cap is unjustified because "what Qwest pays is entirely under Qwest's control,"[34] is simply untrue, as the Multistate Facilitator recognized. In fact, while Qwest certainly believes and hopes that it can meet the QPAP's performance standards over an extended period of time, it has no evidence that proves that this will turn out to be true 100% of the time. Given the parties' lack of real world experience with the PIDs, and the fact that new submeasurements or standards may well be introduced after the QPAP becomes effective, it is entirely possible that poorly designed PIDs will prevent Qwest from consistently meeting all of its obligations, *regardless of Qwest's desire to do so*. In his discussion of the six-month limit on escalation, the Facilitator recognized as much:

> [I]t is not so clear that continuation of poor performance past six months means that there was a methodical calculation by Qwest that the continuing costs of compliance exceeded the continuing costs of violation. . . . There is no evidence in this record that would demonstrate with certainty that those levels of performance can be met and sustained at any cost that is within the realm of economic reason. There is certainly a common belief and expectation that they can; otherwise it is difficult to see why Qwest would have agreed to them. However, they generally relate to

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[33] Stacy Testimony at 18.

[34] *Id.* at 21.

the provision of services about which there was relatively little experience when the measures were adopted.[35]

It is important to note that the Facilitator's conclusions here are not without considerable experience. The Facilitator's own organization, the Liberty Consulting Group, performed the audit of the performance measurements used by the PAP.[36] In addition, all the parties close to the ongoing PID development and audit understand that the PIDs have required numerous modifications after experience with how they operate in practice.

3. Monthly Cap

FiberCom claims that, if Qwest's "payments under Tier 1 meet or exceed the monthly cap, Tier 2 payments are forfeited."[37] This is incorrect. The QPAP does not contain any such monthly caps. The sole purpose for the monthly cap in Section 12.2 of the QPAP is for purposes of establishing the threshold for permitting Qwest to seek payment relief under Section 13.9.

4. Payment Triggers

Mr. Stacy opposes the QPAP's three-month Tier 2 payment trigger as a potential disincentive for Qwest to take immediate action.[38] Instead, he recommends that Qwest be required to make Tier 2 payments without any time lag and that his "solution would

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35 Multistate Facilitator's Report at 44.

36 Liberty Consulting Group, Report on the Audit of Qwest's Performance Measures, Presented to the Regional Oversight Committee, July 11, 2001.

37 FiberCom Testimony at 9.

38 *See* Stacy Testimony at 22-23.

be consistent with the criteria set forth by the FCC that the performance assurance plan's structure be designed to detect and sanction poor performance when it occurs."[39] Similarly, FiberCom argues that "I doubt that [the three-month trigger] is the performance expectation the FCC has in mind."[40]

Both parties are wrong about the FCC. The FCC has approved three-month triggers for Tier 2 payments in the Texas, Oklahoma, Kansas, Arkansas, and Missouri performance plans.[41] Such triggers make sense in light of the basic differences between Tier 1 and Tier 2 payments. Tier 1 payments are intended in the first instance to compensate CLECs for nonconforming service. Because of their compensatory purpose, it is appropriate for Tier 1 payments to accrue immediately if Qwest's performance is below standard. Tier 2 payments, by contrast, are designed purely to provide an additional incentive to Qwest, and have payment levels at least three times higher than Tier 1 base payment levels.[42] As such, it is appropriate that the payments are triggered only to incent Qwest to solve the problem once it has an opportunity to do so.

Because it is extremely difficult for Qwest to react to nonconforming performance until the third month after the miss, the three-month trigger for Tier 2 payments is reasonable. Performance results are not known until almost 30 days after the end of

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39 *Id.* at 23.

40 FiberCom Testimony at 8.

41 See section 9.2 of Texas, Oklahoma, Kansas, Arkansas, and Missouri PAPs.

the month to which the data relates. If Qwest misses a performance measurement, it may not be aware of that fact until the end of the next month. And if the reason for the miss is recurring, Qwest likely will miss again the following month. Thus, a two consecutive month miss is a strong possibility before Qwest ever has a reasonable opportunity to take steps to fix the problem. Further, if correcting the problem requires adding new personnel, Qwest may not be able to meet performance standards until it has hired and trained additional employees, creating the likelihood of additional consecutive months of missed performance standards.

In contrast, the parties have presented no countervailing evidence that demonstrates that Tier 2 payments should be triggered sooner in order to provide Qwest with sufficient financial incentive to meet performance standards. The parties have also failed to explain why the FCC's repeated approval of other plans with this provision should be ignored. Without such evidence or explanation, there is no reasonable justification for requiring a change to the Tier 2 trigger.

5. Six Month Limit on Escalation

Mr. Stacy claims that a limit on payment escalation after six months is inappropriate, for many of the same reasons he argues that an overall annual cap is not justified. In Mr. Stacy's view, there should be unending escalation of QPAP payments without a time limit in the event of continued misses, to serve as a greater deterrent.[43]

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[42] *Compare* QPAP Table 4 (Tier 2 payment levels) with QPAP Table 2 (Tier 1 payment levels).

[43] See Stacy Testimony at 26; *see also* AT&T Comments at 9-16.

The approach of limiting escalation of Tier 1 payments to the six-month payment level has been repeatedly approved by the FCC (and state commissions) in every one of the Texas-based plans, described above, upon which Qwest modeled its QPAP.[44] For AT&T to suggest that this exact same provision in the QPAP is a "violation of the FCC's guidance."[45] is incomprehensible. Unlimited escalation would lead to payments far beyond any reasonable approximation of the value of the service to a CLEC. For example, an analog, unbundled loop costs only approximately $20 per month. The base payment *for a single measurement* ranges from $25 to $150 (depending on whether it is designated low, medium, or high), effectively giving the CLEC one month or even several months of free service.[46] After six months, those payments balloon to $400 - $800, which is 20 to 40 times the cost of the original $20 service. Also, there is a very real possibility that Qwest would also be making Tier 2 payments ranging from $200 to $500 for the same occurrences, thus providing additional financial incentive to Qwest. As the matrix below illustrates, the combined effect of Tier 1 payments at various levels of escalation and Tier 2 payments is equivalent to Qwest providing *multiple years* of service.

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[44] *See* pp. 10-11 of the Texas, Kansas, Oklahoma, Arkansas, and Missouri PAPs.

[45] AT&T Comments at 11.

[46] *See* QPAP at Table 2.

Number of Months	Tier 1 Payment	Tier 2 Payment	Total Financial Incentive	Equivalent Years of Service* ($20 monthly rate)
6	$800	$500	$1,300	7 yrs. 11 mos.
7	$900	$500	$1,400	8 yrs. 10 mos.
8	$1,000	$500	$1,500	9 yrs. 11 mos.
9	$1,100	$500	$1,600	11 yrs. 1 mo.
10	$1,200	$500	$1,700	12 yrs. 5 mos.
11	$1,300	$500	$1,800	14 yrs.
12	$1,400	$500	$1,900	15 yrs. 10 mos.

* Assumes a 10% discount rate

This matrix reflects payments on just one metric. A single CLEC order could involve multiple performance measurements in a month, both at service initiation (e.g., pre-ordering and provisioning) and during the life of the product (e.g., billing and maintenance/repair), which would generate yet more payments. Payments at these levels are without a doubt sufficient incentive. There is no record support for Mr. Stacy's tentative view that wildly disproportionate and unending escalation of these amounts is necessary in order to increase the motivation for Qwest to meet the QPAP's performance standards.

The Facilitator agreed that escalation is unnecessary to increase Qwest's incentives. He concluded that it was "speculative" to assume that continued non-compliance signifies that the QPAP has "insufficien[t] . . . inducements" or that Qwest has made a "methodical calculation" that it is cheaper to pay than to comply.[47] As he observed: "If non-compliance continues for half a year in the face of stiff financial

[47] Multistate Facilitator's Report at 44.

consequences, one of the issues that would bear consideration is the achievability of the established benchmark itself."[48]

The Facilitator's considered judgment on this question, based on his review of the testimony, was fully supported by the record in that proceeding. This point is graphically illustrated by the testimony of Dr. Griffing, Mr. Stacy's colleague at QSI, and a primary advocate of the "more is better" approach. Dr. Griffing, by his own admission, relied on nothing more than pure speculation -- about both the need for and the effectiveness of removing the cap on escalation. He stated only that "it's probably a safe assumption" that failure to meet a standard for six months would be cured by higher penalties,[49] and that "it's . . . possible" that a cap on escalation would fail to deter noncompliance.[50] Dr. Griffing offered no concrete facts or economic studies to support this "assumption" about appropriate incentive levels. In fact, he acknowledged that it would be "hard" for Qwest or anyone else to calculate "the exact profit margins, [and] the exact costs" necessary to make the type of economic decision about whether it is cheaper to pay the QPAP payments or to pay for more staff and equipment to bring the service into conformance.[51] Accordingly, rather than try to approximate reasonable incentive levels, which is precisely what the QPAP does (based on the examples of

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48 *Id.*

49 Testimony of Marlon Griffing, 8/27/01 Tr. at 118.

50 *Id.* at 121.

51 *Id.*

prior plans), he advocated the "easy" mechanism of no cap at all.[52] However, removing the cap does not eliminate the need to calibrate the incentives appropriately; it simply errs entirely on the side that more deterrence must be better. But overdeterrence presents just as many problems as underdeterrence, including the possibility, which Dr. Griffing conceded, that allowing CLEC payments to "get too high" would provide CLECs with a corresponding "incentive to cause non-compliance" because they would "gain more from having failure than . . . [by] having Qwest comply."[53]

Moreover, precisely the same kind of argument was dismissed as "flawed" by the New York Commission in the very first Section 271 proceeding. It was also later ignored by the FCC in that case because the availability of FCC relief and other remedies undermines the "basic assumption" of the argument — *i.e.*, that "liability under the Plan must be sufficient, *standing alone*, to completely counterbalance [the BOC's] incentive to discriminate."[54]

Mr. Stacy's recommendation on escalation thus disregards FCC decisions approving such provisions, would lead to payments to CLECs wildly out of proportion to the value of the services to them, is premised on speculation rather than probative evidence, and fails to come to grips with the Multistate Facilitator's conclusion that given

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52 *Id.*

53 *Id.* at 119. Perhaps the best examples of measures that may be subject to this type of problem are those measurements involving trouble reports. The OP-5, MR-7, and MR-8 performance measurements base conformance solely upon the rate of trouble reports as reported by the CLECs themselves.

54 *New York Order* ¶ 435 & n.1330 (emphasis in original).

Qwest's obvious incentives to meet the plan's standards its repeated misses would just as likely result from poorly designed standards. As the Facilitator recognized, the parties have "relatively little experience" with the plan measures,[55] and "[t]here is no evidence in this record that would demonstrate with certainty that those levels of performance can be met and sustained at any cost that is within the realm of economic reason,"[56] particularly over time. Nor are these measures set in stone. Qwest has agreed to add other submeasurements for new services now only diagnostic under the plan (*e.g.*, EELs, line sharing, and subloops),[57] and the plan contemplates the possible addition of new measurements during the review process. There is thus no basis for dismissing Qwest's concerns about such a departure from the escalation cap mechanism repeatedly approved by the FCC.

Finally, AT&T's citation of staff opinions and decisions by several state commissions cannot overcome the weight of the FCC's consistent conclusion that performance plans that include escalation which levels off after six months provide sufficient incentive for compliance under the zone of reasonableness standard. Indeed, the BellSouth Georgia and Louisiana plans, both modeled on the Texas plan and currently under review by the FCC, also include a six-month cap on escalation.[58]

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55 Multistate Facilitator's Report at 44.

56 *Id.*

57 *See id.* at 48.

58 *See* Georgia PAP § 4.3.1.2, available at http://bellsouthcorp.com/policy/271/ga/

6. Sticky Duration

Not only does Mr. Stacy argue for unlimited payment escalation, he also believes that the QPAP payments should remain at escalated levels even after subsequent months of compliance (a concept referred to as sticky duration, but probably more accurately referred to as *stuck* duration), on the premise that allowing payments to deescalate "ignores the concept of economic incentives."[59] As noted above, in this respect the QPAP provides even greater incentives than the Texas plan approved by the FCC. That plan allows payments to return to the lowest payment level upon a single month of conforming performance. In the ROC PEPP collaborative Qwest agreed to a provision whereby payments step down only one notch at a time for each conforming month of performance.

Moreover, as the Multistate Facilitator noted, sticky duration is "wholly inappropriate" for two reasons:

> It is disingenuous because it would ignore entirely successful performance by Qwest however long Qwest provided it. The proposal is draconian because its new baseline payments levels, when multiplied by the still applicable escalation levels, could produce payments by Qwest that are an order of magnitude higher than those contemplated by the QPAP. . . .[60]

For this reason, "stuck" duration has never been a part of a plan accepted by the FCC and has only been recommended by one other state commission (Wyoming). Even the

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AppendixA/Varner/Varner_Exhibit_PM-08.doc; Louisiana PAP § 4.3.1.2 available at http://bellsouthcorp.com/policy/271/ga/AppendixA/Varner/Varner_Exhibit_PM-19.doc.

59 Stacy Testimony at 28.

60 Multistate Facilitator's Report at 63.

Colorado performance plan, which is otherwise cited favorably by Mr. Stacy, includes a step down provision similar to the QPAP.

7. LIS Trunks

Midcontinent seems to claim that, because Qwest "control[s] the timing and availability of LIS trunks," it might discriminate against Midcontinent in provisioning such requests.[61] The Multistate Facilitator rejected just such an argument, noting that "taking each CLEC's claim of particular importance at face value," whether for LIS trunks or anything else, "would inevitably make all measures of high weight."[62] Moreover, Qwest has already modified the Texas model to address this concern. In the ROC PEPP collaborative, Qwest agreed to apply a lower critical value (1.04) to LIS trunks for CLEC volumes of 10 or fewer for the provisioning and maintenance metrics. This lower critical value increases the payment opportunities for those measurements. It should also be noted that the provisioning measurements carry the highest payment level, ranging from $150 to $800 for a Tier 1 payment occurrence, depending on the duration of nonconforming performance, and $500 for a Tier 2 payment occurrence.

8. Use of Tier 2 Payments

The QPAP provides that Tier 2 payments may be used for any purpose relating to Qwest's service territory. AT&T argues that the use of Tier 2 payments should not be restricted to Qwest's territory and proposes to add language stating that the funds may

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61 Midcontinent Testimony at 18.

62 Multistate Facilitator's Report at 55.

be used for any purpose allowed by state law.[63] Qwest would not object to including language that any funds held by the Commission may be used for any purpose authorized by state law. However, Qwest believes it is reasonable to restrict use of the funds to Qwest's territory. The Tier 2 payments are calculated based on provisioning service within Qwest's service territory and it only makes sense to return any benefits from state payments to that service territory.

9. 100% Cap on Misses for Interval Performance Measurements

Only AT&T objects to section 8.2.1.1 of the QPAP, which sets forth the way to calculate payments for misses of performance measures that involve average intervals for multiple orders by a CLEC. This provision is designed to permit some sensitivity for severity of misses, while avoiding paying for orders that do not involve misses, or potentially do not even exist. Among the five Qwest states that have issued preliminary staff decisions or final Commission decisions on the PAP, not a single one has agreed with AT&T's position on this issue.[64] Nor did the Multistate Facilitator

The Multistate Facilitator examined this issue in some detail, and concluded that in the absence of any more acceptable CLEC counterproposal the 100% cap represents a reasonable "arithmetical compromise" between the need to conform to the plan's basic structure based on actual order volumes, and the goal of increasing payments for more severe misses.[65] Two examples show how the 100% cap addresses severity by

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63 AT&T Comments at 25.

64 These states are Arizona, Colorado, Idaho, Montana, and Wyoming.

65 Multistate Facilitator's Report at 69.

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increasing payments for more severe misses. As these examples show, wide variations in intervals (*i.e.*, severe misses) serve by reason of the averaging process dramatically to affect Qwest's per order payment obligations.

First, assume that Qwest's average retail installation interval parity result[66] is 3 days, and that a CLEC has 10 orders, for which its average interval is 4.5 days. Then further assume that these 10 orders include two "misses," one severe (20 days) and one not (4 days), with the remaining orders meeting the retail standard (3 in 2 days and 5 in 3 days). Here, under the formula in Section 8.2.1.2, the payment calculation is as follows:

$$\frac{\text{4.5 day CLEC average} - \text{3 day Qwest average parity result}}{\text{3 day Qwest average}} = 50\%$$

50% * 10 orders * 800 = $4,000

Because only two CLEC orders (the ones with 20-day and 4-day intervals) were above the average Qwest interval parity result, Qwest effectively paid an average of $2,000 per CLEC order ($4,000 / 2 orders). A payment of $2,000 per order is certainly a premium over the standard $800 per occurrence payment. That higher payment number is directly attributable to the severity of the 20-day miss and the fact that the formula requires multiplication by the total number of orders, not simply the two missed ones.

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66 The parity result is the interval for Qwest's retail customers, after statistical adjustments for small sample sizes and standard deviation.

Indeed, if Qwest missed the interval by an even greater amount on any of these orders, the payments would continue to escalate, up to the 100% cap. For example, assume that the 20-day interval order used above were increased to a 26-day interval, and that the 4-day interval order were increased to a 13-day interval. The total days interval would increase by 15 days, for a new total of 60 days. This, in turn, would result in a CLEC average interval of 6 days (60 days / 10 orders). The new payment calculation would be as follows:

$$\frac{\text{6 day CLEC average} - \text{3 day Qwest average parity result}}{\text{3 day Qwest average}} = 100\%$$

$$100\% * 10 \text{ orders} * 800 = \$8{,}000$$

Once again, because only two CLEC orders (the ones with 26-day and 13-day intervals) were above the average Qwest interval, Qwest would have paid an average of $4,000 per CLEC order ($8,000 / 2 orders). Thus, the additional 6-day delay on one order and the additional 9-day delay for the other would result in significant payment escalation: $2,000 *more* per order. This example shows that there *is* sufficient severity built into a payment structure that is capped at 100%. And as noted above, no party provided any evidence that these payments are insufficient to compensate for any harm caused.

The 100% cap is a reasonable measure that was added to the Texas plan at the first six-month review and has been included in each of the subsequent SBC plans

approved by the FCC.[67] As an "arithmetical compromise," it deals with severity of misses in a way that lies well within the FCC's zone of reasonableness.

10. Form of QPAP Payments

The QPAP provides that payments to CLECs will be made by bill credits (unless the monthly QPAP payments to a CLEC exceed the amount the CLEC owes Qwest, in which case Qwest must pay the excess in cash). In my previous affidavit, I explained why this provision was reasonable and lay well within the zone of reasonableness.[68] Without addressing any of my points, AT&T asserts that all QPAP payments should be made in cash[69] -- an argument it never raised in its exceptions to the Facilitator's report endorsing Qwest's position on this issue.[70]

The FCC has not required cash payments. In fact, it has approved PAPs in New York, Connecticut, and Massachusetts even though those plans provided for payments to be made *exclusively* in the form of bill credits.[71] Further, if cash payments were

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67 *See* section 11.1.2.1 of the Texas, Oklahoma, Arkansas and Missouri PAPs; the Kansas PAP has an even lower cap, 50%. AT&T's reference to an FCC staff letter on this point hardly demonstrates otherwise. *See* AT&T Comments at 27. First, this letter involved a requested change from a quite different performance plan -- in a BOC-to-BOC merger -- that had no such 100% cap. Second, as AT&T concedes, the letter actually approved the use of a 100% cap to conform to the provision in the Texas 271 plan analogous to this one. *See id.* Third, AT&T's argument that such "administrative efficiency" goals are inapplicable here is incorrect. As noted above, not a single state in Qwest's region has endorsed dispensing with this provision.

68 *See* Qwest Corporation's Affidavit of Mark S. Reynolds, Oct. 24, 2001, at 26-29.

69 *See* AT&T Comments at 30.

70 *See* AT&T Exceptions.

71 *See* § II(C)(2), (D)(2) of those plans.

required, the QPAP would become a vehicle for CLECs to compete with Qwest through unjustified cash subsidies. As noted in my prior affidavit, Qwest's burgeoning accounts receivable from CLECs demonstrate that this concern is not academic. On average, CLEC charges that are more than 30 days past due represent 96% of current month billings, only about one-third of which involve billing disputes. The Facilitator recognized this problem. In recommending that payments be made via bill credits, the Facilitator stated that "it would be inappropriate to require Qwest to make payments to CLECs in cases where CLECs were not current in paying Qwest for the same kinds of services."[72]

11. Interest Rate

The QPAP obligates Qwest to pay interest on late payments and underpayments at the one-year treasury rate, and allows Qwest to collect interest (as an offset against future payments) at the same rate for overpayments. AT&T complains that the one-year treasury rate is too low and proposes several other interest rates that could be used in its place. The Facilitator found:

> Short-term debt rates probably represent the best indicator of payments temporarily delayed through errors in billing or the pendency of disputes. The need for a reliable pub[l]ic benchmark leads to the conclusion that the QPAP interest rate should be the prime rate published daily by one of the numerous services or publications respected in the industry.[73]

Qwest finds the Facilitator's rationale for use of the prime rate compelling and would be willing to substitute the prime rate for the treasury rate in the QPAP.

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72 Multistate Facilitator's Report at 76.

73 *Id.* at 73.

B. Statistical Methodology

1. Rounding for Benchmark Measures

Midcontinent expresses concern that Qwest may have too much leeway in meeting performance measurements by being permitted to "round out averages."[74] Qwest assumes that this is a reference is to section 2.4 of the QPAP, which allows Qwest to round up to the next whole integer to determine the allowable number of misses for small sample sizes for benchmark measures. This provision is designed to ensure that Qwest will not otherwise be held to a standard of perfection in cases of very small order volumes. The Multistate Facilitator recommended a different solution to this problem that would address Midcontinent's concerns -- requiring use of data from previous months to determine whether the current month's data should be reflected as a "miss" or a "make."[75] Qwest is willing to modify section 2.4 to reflect the Facilitator's recommendation.

C. Audits and Six-Month Review

1. Audits

FiberCom argues that the QPAP's audit provisions are "not sufficient to protect the CLECs or the long-term public interest," and that, "[a]t a minimum, Qwest should be required to fund an outside audit of its QPAP implementation."[76] Section 15.0 of the QPAP in fact does so. That provision includes several types of audits that provide more

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[74] *See* Midcontinent Testimony at 18-19.

[75] *See* Multistate Facilitator's Report at 59.

[76] *See* FiberCom Testimony at 11.

than adequate assurances of data accuracy and reliability. First, it requires Qwest to retain a nationally recognized firm with experience in testing and auditing ILEC performance measurements and metrics to design and conduct an audit of performance measurements in the QPAP that have a high risk of inaccuracy and are material.[77] Second, it requires Qwest to fund periodic audits of the financial systems used to calculate the QPAP payments. Finally, it provides each CLEC with the right to two CLEC-initiated audits per year and requires Qwest to fund those audits if they demonstrate material error by Qwest.

AT&T raises a number of criticisms regarding the QPAP's audit provision. Qwest believes that this audit provision, which in fact contains features beyond the Texas plan,[78] provides more than adequate assurances of data accuracy and reliability. In order to find an agreeable solution, however, Qwest would be willing to include in the South Dakota QPAP the relevant audit provisions contained in the November 2001 multistate QPAP (which implemented the Facilitator's recommendations) in lieu of the audit provisions in the QPAP attached to my initial affidavit.

The multistate audit provision would resolve many of AT&T's audit-related concerns. For example, AT&T complains that the QPAP allows Qwest to select the

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77 *See* QPAP § 15.1. The independent auditor that *designs* the audit would also *conduct* the audit; any ambiguity in the QPAP language is inadvertent and Qwest would be amenable to state this explicitly.

78 The Texas plan relies exclusively on CLEC-initiated audits, and limits such audits to one per CLEC per year. *See* Texas PAP § 6.6. As noted above, the Qwest plan has an independent audit every two years, a separate audit of the financial system, *and* CLEC-initiated audits. *See* QPAP § 15.0.

auditor.[79] Under the multistate plan, the auditor would be chosen by the Commissions, thereby removing any concerns regarding the auditor's independence. AT&T also argues that the QPAP "arbitrarily"[80] limits CLECs to two CLEC-initiated audits per year. The multistate plan does not limit the number of CLEC-initiated audits. Instead, CLECs may submit any number of audit requests to the independent auditor who determines in each case whether an audit is necessary. CLECs who dispute the auditor's decision could resort to the dispute resolution process. The multistate plan also envisions audits of both high and low risk performance measures, which resolves AT&T's concerns that audits would be limited to those which the auditor determines have a high risk of inaccuracy and are material.[81] Finally, AT&T's concern about potential audits of its own data are unwarranted.[82] It is only logical that in any dispute over performance results or payments, both parties would bring forward their own evidence regarding the correct results or payments, and that the auditor would have an opportunity to examine both parties' data in order to determine the correct amount. This has already occurred frequently in the data verification process, and it should present no particular surprise or burden to AT&T.

A coordinated multistate audit is the most efficient and effective way to audit the QPAP. As demonstrated in the OSS audit, Qwest uses the same processes to

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79 *See* AT&T Comments at 50-51.

80 *Id.* at 53.

81 *Id.* at 51-52.

82 *See* AT&T Comments at 53.

implement its performance measurements in each of its 14 in-region states. Thus, there is no need to conduct 14 separate audits of the same processes; indeed, to do so would be affirmatively harmful, by diverting resources from the activities and functions necessary to provide wholesale (and retail) services.

AT&T's suggested audit provisions which it claims to have "borrow[ed]" from the Colorado PAP are wholly unreasonable. Among other things, AT&T attempts to import into the PAP entirely new obligations related to change management, which were not part of the multistate proceedings and were in fact rejected in Colorado by the Special Master, Staff, and the Commission itself.[83] AT&T's attempt to use that language here in South Dakota underscores the unreliability inherent in taking provisions from other plans, especially when those plans have not been finalized.

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[83] *See* AT&T Comments at 54. AT&T attempts to include change management obligations that would require Qwest to obtain "approval" for "any CLEC-affecting changes" to the performance measurement and reporting system. *See id.* at 55. That was a vigorously disputed issue in Colorado, because it threatened to put Qwest in a catch-22: preventing Qwest from making changes necessary to ensure accurate performance results and subjecting Qwest to fines either for making the unauthorized changes or for the inaccurate performance reports resulting from a failure to make the changes. The issue was remanded to the Special Master for further factual development, and at its March 27, 2002 oral deliberations on the CPAP, the Colorado Commission substantially revised this provision based on the Special Master's recommendations. *See* Transcript of Hearing, *In the Matter of the Investigation into Alternative Approaches for a Qwest Corporation Performance Assurance Plan in Colorado*, Colo. Pub. Utils. Comm'n, Docket No. 01I-041T, March 27, 2002.

2. Dispute Resolution

FiberCom recommends that the Commission be the deciding body for disputes under the QPAP.[84] Section 18 of the QPAP, however, already allows the parties to bring general disputes about certain aspects of the QPAP before the Commission or an arbitrator. In this respect, the QPAP mirrors the dispute resolution provisions in the SBC plan for Texas. Qwest believes that the forum should be the choice of the parties. If CLECs prefer the dispute resolution provision of the multistate QPAP, Qwest would not object to substituting it here. It states, in pertinent part, that section 5.18 of the SGAT will govern "disputes over the meaning of the provisions of the PAP and how they should be applied." Finally, under either the multistate or South Dakota versions, dispute resolution is limited to *interpreting* the existing QPAP provisions; it is not, and should not become, a backdoor for *changing* the QPAP; any need for such changes is appropriately addressed in the six-month review.

3. Six-Month Review

Mr. Stacy argues that, notwithstanding the extensive process of negotiation and compromise that has resulted in the current QPAP, the Commission should be able to rewrite any provision of the plan.[85] The Multistate Facilitator, however, correctly concluded that Qwest's reliance on prior FCC-approved restrictions on such modifications was well within the FCC's zone of reasonableness. As he recognized, the

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84 *See* FiberCom Testimony at 11-12; *see also* AT&T Comments at 62.

85 *See* Stacy Testimony at 26-27; *see also* Midcontinent Testimony at 19; AT&T Comments at 58.

Texas plan and its progeny provide well-defined criteria for the six-month reviews. They specify the scope of the review, the standard for making changes, and the authority to determine those changes.[86] The QPAP provision has the same features. The scope of the review is the same.[87] The standard for making changes is the same.[88] And, with one exception, the authority to determine the changes is essentially the same. While the plans express this requirement in slightly different terms, the result is equivalent. The Texas plan requires "mutual agreement" to "[a]ny changes to existing performance measures and this remedy plan," though it permits arbitration of new measurements and their classification.[89] The Qwest plan similarly provides that "[c]hanges shall not be made without Qwest's agreement."[90] AT&T's objection that this language gives Qwest the ability to "unilaterally *make* any changes that it wants"[91] is incorrect. As the plain meaning of the language indicates, the provision merely gives Qwest a negative right, *i.e.*, to object to future changes to the commitments it has undertaken in the QPAP, not

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86 *See* Texas PAP § 6.4; *see also* section 6.4 of the Kansas, Oklahoma, Arkansas, and Missouri PAPs.

87 To the extent AT&T suggests that limiting the six-month review to performance measurements is "inappropriate[]" and "much too narrow," AT&T Comments at 58, its position is inconsistent with the FCC's approval (and five state commissions' approval) of the same scope of six-month reviews in the Texas plan and its progeny.

88 While AT&T objects that the standard for reclassifying a measurement is "vague," AT&T Comments at 59, this standard was adopted straight from the Texas plan.

89 Texas PAP § 6.4.

90 QPAP § 16.1.

91 AT&T Comments at 58 (emphasis added).

an affirmative right to change the plan itself. In its reply brief to the Multistate Facilitator, Qwest noted that once the QPAP goes into effect, Qwest cannot make any unilateral changes to it.[92]

In its order approving the Texas plan, the FCC endorsed this six-month review mechanism as providing sufficient opportunity for modification and improvement.[93] The Multistate Facilitator, likewise, approved Qwest's six-month review provision, finding that "[t]he Texas PAP is in almost all respects consistent with what Qwest has proposed"[94] except for the arbitration mechanism for new measurements. Qwest has added this to its multistate QPAP and would have no objection to doing so here.[95] The Facilitator's report recognized Qwest's legitimate need to have "a reasonable degree of certainty about the exposures to which it will be subjected."[96] As noted above, it also recognized the concomitant need to avoid unraveling an "agreement [that] was reached through compromise" and not "support an improvement in what [a] party got without

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92 Reply Brief of Qwest Corporation in Support of its Performance Assurance Plan, Sept. 20, 2001, at 39.

93 *Texas Order* ¶ 425.

94 Multistate Facilitator's Report at 60.

95 The arbitration provision of the Texas plan contemplates arbitration before the state commission, while the multistate QPAP relies on AAA arbitration, which is already contemplated in the SGAT to which the QPAP is an exhibit. *See* SGAT § 5.18 (dispute resolution). AAA arbitration is quick and inexpensive, avoiding litigation delays as the FCC recommends. It is also particularly suited to a collaborative six month review that might involve multiple state commissions and the jurisdictional complexities relating thereto. However, Qwest would have no objection to the Texas provision that such arbitration could occur before the state commission.

96 *See* Multistate Facilitator's Report at 10.

considering what had been given in return, . . . lest we risk disrupting important balances."[97] The Commission should not disregard such important principles, or the FCC-approved plans upon which they are based. Indeed, AT&T provides no basis for concluding why a unilateral right to rewrite the QPAP, submitted solely by Qwest as part of its proposal for interLATA relief, would be compatible with state or federal law. It would make the entire plan wholly illusory.

D. Legal Operation of the QPAP

1. Liquidated Damages & Offset

The issue here is whether the QPAP should be an *alternative* or *cumulative* remedy for *contractual* harm related to wholesale performance. In other words, if a CLEC elects the QPAP, should the CLEC be entitled to go to court (or another forum) to receive additional compensatory payments for the same underlying wholesale performance under a different remedy structure, such as an interconnection agreement or service quality rules? Midcontinent agrees that the QPAP should address the question of compensating CLECs for contractual damages, and that it is appropriate to liquidate such damages.[98] Its only question is whether the QPAP adequately compensates CLECs if Qwest's poor performance causes the loss of a customer.[99]

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97 *Id.* at 2.

98 *See* Midcontinent Testimony at 17.

99 *Id.*

AT&T, by contrast, contends that the liquidated damages concept should be "stricken" altogether.[100]

Like traditional liquidated damages provisions, the QPAP establishes in advance what payments are appropriate compensation for damages due to Qwest's nonconformance.[101] This payment structure satisfies the FCC's express requirement that a performance assurance plan contain "a self-executing mechanism that does not leave the door open unreasonably to litigation and appeal."[102] CLECs that opt into the QPAP therefore will receive payments from Qwest for nonconformance with the QPAP metrics *without ever having to claim, prove, or incur any harm.*

As with many contractual promises for liquidated damages, this remedy is designed to be the only remedy under "rules, orders, or other contracts, including interconnection agreements, arising from the same or analogous wholesale performance."[103] This is nothing more than the logical implication of traditional liquidated damages provisions, which require the parties to agree in advance on an amount of damages that reasonably approximates the anticipated harm. Like other election of remedies provisions, this one also ensures that CLECs cannot have their cake and eat it too by electing, on a case-by-case basis, to collect the liquidated

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100 AT&T Comments at 37-38.

101 AT&T's point that "until the damage at issue actually occurs, it is impossible to ascertain the extent of such damages," *see id.* at 37, once again misunderstands the purpose of liquidated damages, which is precisely to address situations where quantification of harm is difficult and to set in advance a reasonable figure to approximate that harm.

102 *New York Order* ¶ 433.

damages amount when they can prove no harm and to pursue some higher amount when they do claim harm. To allow CLECs the option of taking the liquidated damages or suing for actual damages is inconsistent with the basic purpose of liquidated damages and would transform the payments simply into a floor for further litigation. The election of remedies provision also prevents the unreasonable scenario of subjecting Qwest to different performance standards for the same activity.

AT&T's attempt to characterize the QPAP's liquidated damages as merely incentives to Qwest, not compensation to CLECs, is simply incorrect, and appears to reflect a view of QPAP payments as "free money" with no corresponding obligations on CLECs. In fact, Tier 1 payments are designed to function as compensatory damages to CLECs. Otherwise, there would be no reason to make any payments to CLECs; all payments would be made to the state instead. While Tier 1 payments also act as a financial incentive for Qwest to provide service that conforms with the performance standards, the incentive effect on Qwest does not change the fundamentally compensatory purpose of these payments vis-à-vis CLECs.

Prior FCC-approved plans have recognized that PAP payments are appropriately treated as liquidated damages. The Texas plan and subsequent SBC plans expressly refer to Tier 1 payments as "liquidated damages."[104] QPAP § 13.6 states: "To elect the PAP, CLEC must adopt the PAP . . . in lieu of other alternative standards or relief" and "[i]n no event is CLEC entitled to remedies under both the PAP and under rules, orders,

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103 QPAP § 13.6.

104 *See* section 6.1 of the Texas, Kansas, Oklahoma, Arkansas, and Missouri PAPs.

or other contracts, including interconnection agreements, arising from the same or analogous wholesale performance." As AT&T has recognized, the Texas plan similarly does "not allow the recovery of contractual type remedies."[105] The Facilitator, likewise, recognized, "it is not reasonable to allow CLECs to keep Tier 1 base payments and Tier 1 accelerated payments when it suited them, but to seek more when it did not."[106] He further observed,

> The QPAP represents a comprehensive payment structure for compensating CLECs for harm. They have the right to elect all of it or none of it. It would not be reasonable to allow them to select those portions of it that are on balance more favorable than other remedies, while choosing to take other remedies in cases where they are more favorable. Qwest has no right to do so; a proper sense of balance with respect to liquidated damages should require the same of CLECs.[107]

Any other approach would result in a pure windfall to CLECs.

AT&T's claim that "no Commission has allowed Qwest to maintain such language" is both irrelevant and wrong.[108] It is irrelevant because the most probative issue is whether the FCC has accepted such provisions. And it is wrong because the Idaho Commission's recent QPAP decision accepted as "appropriate" the QPAP's election of remedies provisions, which, as it described, "limit[] recovery of damages based on contract theories of action," while permitting "recovery [under] non-contractual

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105 AT&T Exceptions at 18.

106 Multistate Facilitator's Report at 33.

107 *Id.*

108 AT&T Comments at 40.

theories of liability."[109] The Montana Commission has not reached a final decision on the QPAP, and the Wyoming Commission's decision reflected the mistaken impression that "the QPAP might be an inadequate remedy for unfair, anticompetitive or monopolistic behavior by Qwest."[110] The QPAP does not extinguish such noncontractual remedies.

With respect to offset of recovery for such noncontractual claims, AT&T concedes that the QPAP "should not be [an] opportunity for double recovery."[111] Yet it argues that the QPAP should contain no requirement to apply an offset when the specified standard is met.

AT&T also continues to mischaracterize the QPAP offset as a self-help provision. It clearly is not. The Texas plan contains an offset in section 6.2, which refers to proceedings "relating to the same conduct" in which SWBT "seeks to offset" plan payments against "other damages a CLEC might recover." It does not, however, clearly address the legal consequences of such a request. Section 13.7 of the QPAP establishes that Qwest has a right of offset where the prerequisite of "the same or

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[109] Commission Decision on Qwest's Performance Assurance Plan, *In the Matter of U S WEST Communications, Inc.'s Motion for an Alternative Procedure to Manage its Section 271 Application*, Case No. USW-T-00-3, Idaho Pub. Utils. Comm'n, Mar. 7, 2002, at 6 ("Idaho QPAP Decision").

[110] First Order on Group 5A Issues, *In the Matter of the Application of Qwest Corporation Regarding Relief Under Section 271 of the Federal Telecommunications Act of 1996, Wyoming's Participation in a Multi-State Section 271 Process, and Approval of Its Statement of Generally Available Terms*, Docket 70000-TA-00-599, Wyo. Pub. Serv. Comm'n, Jan. 30, 2001, at 5 ("Wyoming QPAP Decision").

[111] AT&T Comments at 39.

analogous wholesale performance" is satisfied. Whether that prerequisite to offset is met in any given case would be a question presented to the court for its resolution prior to its award of damages. Thus, as the Facilitator recognized, "If Qwest's language is adopted, nothing in it gives Qwest the right to make an unreviewable decision about whether an offset is allowable."[112] In this respect, QPAP § 13.7 is no different from Texas § 6.2. The only difference is that the court or other entity hearing the dispute would have a clear legal standard to apply in resolving the question whether offset is appropriate. Clearly establishing this standard falls within the FCC's zone of reasonableness by avoiding future litigation about the matter.

2. Effective Date

Midcontinent suggests that the effective date for the QPAP "performance measurements be upon State Commission issuance of its consultative report," but that "[p]ayments for poor performance would be assessed after the FCC approves Qwest's 271 application."[113] Qwest is willing to provide QPAP reports with payment estimates based on monthly performance measurements prior to section 271 approval. Qwest is already providing such mock bill credit reports in 10 of its other in-region states. Qwest agrees with Midcontinent that payments for nonconforming performance would not commence until after the FCC approves Qwest's section 271 application for South

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[112] Multistate Facilitator's Report at 35. While the offset language considered by the Facilitator was slightly different, the fundamental nature of the provision -- that it establishes a binding standard for applying an offset -- is the same.

[113] Midcontinent Testimony at 19.

South Dakota: the QPAP is a part of the *quid pro quo* for interLATA relief and should not be required prior to such relief.

AT&T contends that the QPAP should remain effective even if Qwest exits the interLATA market,[114] but this position ignores the basic purpose of the QPAP. The QPAP is not intended, as AT&T suggests, to fulfill Qwest's obligations under section 251. It is designed to prevent "backsliding" after Qwest receives section 271 authority to offer interLATA service. As the Multistate Facilitator recognized, it would make no sense at all to continue to enforce the QPAP if Qwest is no longer in the interLATA market.[115]

3. QPAP Implementation

FiberCom argues that Tier 2 payments "are only calculated for those South Dakota CLECs that have amended their interconnection agreements to include the QPAP," and that "[w]ithout these amendments, neither the State nor the CLECs are eligible for penalty payments for performance and the resulting harm to South Dakota's public interest."[116] Qwest needs some legal mechanism to implement the QPAP for each individual CLEC that wishes to opt into it, and incorporating the QPAP into the interconnection agreements is an appropriate way to do that. To the extent that FiberCom is concerned about any administrative delay associated with amending its interconnection agreement, Qwest can furnish a model amendment to simplify the

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[114] See AT&T Comments at 59.

[115] See Multistate Facilitator's Report at 75.

[116] FiberCom Testimony at 8-9.

process. Finally, while Tier 1 payments, quite logically, flow only to those CLECs that have opted into the QPAP, Tier 2 payments are based on volumes for *all* CLECs in the state.

4. Retail Service Quality Payments

Midcontinent raises concerns as to whether Qwest should be responsible for CLECs' retail service quality payments, if such payments were due to Qwest's performance.[117] The Multistate Facilitator addressed this issue in his QPAP report, and concluded that there was "sufficient justification for precluding such indemnity in the QPAP," just as it had also been "precluded elsewhere in the SGAT."[118]

Under the QPAP, CLECs receive liquidated damages payments for Qwest's performance. As noted above, these payments do not require proof of any actual damages, but as with liquidated damages provisions are designed to be a complete remedy. Midcontinent's suggestion would have the opposite effect: It applies to all situations, including where it has already received a payment under the QPAP. Thus, this provision appears to be simply another attempt to carve out an extra payment opportunity from the liquidated damages established under the QPAP.

In addition, the proposed reimbursement would be administratively unworkable and likely to lead to litigation, in contravention of one of the FCC's principal goals — certainty in application.[119] In particular, there would be significant issues of causation

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[117] *See* Midcontinent Testimony at 17-18.

[118] Multistate Facilitator's Report at 34.

[119] *See New York Order* ¶ 433.

involved in determining whether the retail service quality issue was due to Qwest's performance or the CLEC's performance. These issues would need to be litigated based on the circumstances of each case to avoid windfalls to CLECs when the violation of the state rule was due to their own performance.

5. Limitations

AT&T quarrels with certain aspects of the force majeure and CLEC-bad faith exceptions in the QPAP.[120] In particular, AT&T notes that the force majeure provision does not reflect the additional refinements suggested by the Facilitator.[121] While Qwest does not believe these provisions are necessary, it has no objection to including these provisions of the November 2001 multistate QPAP in the South Dakota plan.[122]

The exception for bad faith acts or omissions by CLECs, however, is an essential part of the QPAP.[123] It has been included in prior FCC plans,[124] and was approved by

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120 *See* AT&T Comments at 33-36.

121 *See id.* at 33.

122 Those refinements to the force majeure provision include the following: First, the SGAT's force majeure clause is incorporated into the QPAP to replace the prior standalone clause. Second, the force majeure exception applies only to benchmark measurements, not parity. Third, Qwest will provide notice of a force majeure event within 72 hours of the triggering event. Fourth, the forecasting obligation is limited to those explicitly required by the SGAT. Fifth, the force majeure or other excusing exception is limited to the duration of the triggering event.

123 One example of the potential for CLEC abuse was pointed out in a recent Verizon lawsuit against Covad alleging, among other things, that Covad fraudulently reported false trouble tickets to "obtain[] inflated PAP concessions from Verizon" and "[i]n a single year in New York and Pennsylvania alone, Covad received over $1.6 million in PAP price reductions *as a result of its false reporting practices*." *See Verizon Delaware Inc. v. Covad Communications Co.*, First

the Facilitator.[125] Dr. Griffing of QSI also recognized the very real possibility that CLECs could attempt to "game" the QPAP in order to receive additional payments.[126] Thus, it is unreasonable and disingenuous for AT&T to ask for this exception to be "stricken."[127]

6. Voluntary Nature of the QPAP

The QPAP states that "[n]othing . . . in any conclusion of non-conformance of Qwest's service performance with the standards defined in the PAP shall be construed

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Amended Complaint, Case No. 5:01-cv-20524, ¶ 95 (N.D. Cal. Dec. 18, 2001) (emphasis added). In addition, Verizon alleges that "Covad's false reports also infected Verizon's overall PAP reports" causing Verizon to "fail[] to achieve certain established performance metrics . . . [resulting in] PAP price concessions to other carriers." *Id.* ¶ 96. In support of its allegations, Verizon has obtained declarations from 36 former Covad employees. *See id.* Ex. F.

[124] *See* sections 7.1 and 7.2 of the Texas, Kansas, Oklahoma, Arkansas, and Missouri PAPs. The Verizon plans contain an even broader exception, which does not even require "bad faith," simply that the CLEC action "negatively influences" the performance results for any metric. *See, e.g.* New York PAP, Exceptions and Waiver Process, at 17-18 (including among other things, poor order quality, excessive missed appointments, incorrect dispatch identification, inappropriate X coding on orders where extended due dates are desired, and delays in rescheduling appointments).

[125] *See* Multistate Facilitator's Report at 38-39. The Facilitator recommended adding a sentence clarifying that this exception does not apply when Qwest could have reasonably been expected to deliver conforming performance based on foreseeable volumes and patterns of demand. Qwest would not be opposed to including that in the South Dakota plan.

[126] *See* Testimony of Marlon Griffing, 8/27/01 Tr. at 119 (agreeing that if QPAP payments "get too high, CLECs will have an incentive to cause non-compliance, they'll gain [sic] [game] the system somehow, save up all their orders, send them all in at once, take actions that they otherwise wouldn't do . . . [because] they'll gain more from having failure than they will [from] having Qwest comply.") *See also* Multistate Facilitator's Report at 38 (recognizing "theoretically possible manipulative conduct" by CLECs).

[127] AT&T Comments at 34.

to be, of itself, non-conformance with the [Telecommunications Act of 1996]."[128] AT&T contends that because Qwest is using the PIDs in the QPAP to demonstrate section 271 performance, Qwest's non-conformance to the PIDs should be viewed as non-conformance with section 271.[129] AT&T's proposal is unreasonable because it would mean the PIDs are mandated by federal law. While the FCC has stated that the implementation of a PAP is "probative evidence" that the BOC will continue to meet its obligations after receiving 271 approval,[130] the FCC has *never* stated that conformance with a PAP standard is the *same* as conformance with section 271, or that non-conformance constitutes a violation of the Act.[131] Indeed, the parties may have agreed to standards that *exceed* the requirements of the 1996 Act. And in any event, the performance results themselves are merely numerical data, which do not reflect any legally relevant defenses such as force majeure events or bad faith actions by CLECs.

E. Other Features

1. CLEC Requests for Raw Data

Qwest has agreed to make CLEC raw data available upon CLEC request. However, AT&T's proposal to set an arbitrary two-week deadline (and accompanying

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128 QPAP § 17.0.

129 *See* AT&T Comments at 60.

130 *Kansas/Oklahoma Order* ¶ 269.

131 In light of the FCC's repeated statements that it has never required BOC applicants to demonstrate that they are subject to a PAP before granting 271 approval, *see, e.g.*, *Kansas/Oklahoma Order* ¶ 269, it is hard to imagine how non-conformance with a PAP standard could violate federal law.

late payment) by which Qwest must provide the data is unreasonable. The time needed to produce the raw data is dependent upon a number of factors, including ones beyond Qwest's control: the circumstances of the request, the timing of the request, the number of CLECs requesting data during the same time period, and most importantly, the extent of the data requested.[132] As the Multistate Facilitator recognized, "Nothing in the QPAP limits [CLEC raw data requests] sufficiently to justify firm response deadlines."[133] The Facilitator recommended that Qwest be required to provide the data as soon as reasonably possible.[134] Qwest would be willing to include similar language in the QPAP.

2. CLEC Data Protection

Pursuant to section 14.2, Qwest would provide the Commission with CLEC data so that the Commission can analyze the QPAP results and evaluate whether Qwest is performing adequately.[135] AT&T argues that Qwest should not be permitted to provide the CLEC data to the Commission; rather, the Commission should approach the various CLECs directly for the information.[136] Such authorization, however, is administratively difficult. Moreover, because Qwest's compliance with the QPAP will be at issue, Qwest must be allowed to provide the information directly, without the concern of tampering.

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132 AT&T also has not demonstrated that the CLECs would suffer any harm if they do not receive the data within two weeks of their request.

133 Multistate Facilitator's Report at 83.

134 *See id.*

135 *See* Testimony of Carl Inouye, 8/14/01 Tr. at 150.

136 *See* AT&T Comments at 48.

3. Late Reporting Fee

Qwest has agreed to pay a $500 fee for each business day (after a five-day grace period) that Qwest is late in providing a monthly report of aggregate CLEC performance results. AT&T contends that this late fee should be increased to $5,000 per day and that Qwest should also be obligated to pay $1,000 per day for each "missing" performance report.[137] Qwest believes that its late fee provision is reasonable in light of the fact that if a report is late (or incomplete), it likely will be late not just in South Dakota, but thirteen other states as well. Thus, under AT&T's proposal, Qwest would pay $70,000 per day for late reports. Obviously, this figure is unreasonable.

Further, Qwest already has an incentive to provide reports in a timely manner. Section 11.1 of the QPAP obligates Qwest to pay interest on late payments. Given that Qwest cannot make QPAP payments until it submits the monthly CLEC performance results, a late report means that payments will likely be late and Qwest will have to pay interest.

4. QPAP Payment Recovery in Rates

AT&T argues that the QPAP should be amended to include language stating that Qwest may not recover payouts under the QPAP by increasing its rates.[138] As the Facilitator recognized, establishing such a prohibition is the province of federal and

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[137] *See* AT&T Comments at 49-50. For purposes of clarification, while AT&T appears to draw on the Texas plan for its recommendations, the Texas plan's $1,000/day payment applies to *incomplete* reports, not "missing" reports. *See* Texas PAP § 10.1.

[138] *See* AT&T Comments at 63.

state rate regulation and goes well beyond the purpose of the QPAP.[139] The proposal also is entirely unnecessary because it would simply restate the FCC's already clearly articulated position.[140]

IV. SUMMARY AND CONCLUSION

As demonstrated in my initial affidavit and further described in this rebuttal, the QPAP falls well within the FCC's zone of reasonableness identified in prior 271 orders. In each of the key areas -- the payment levels, annual cap, escalation of Tier 1 payments, trigger for Tier 2 payments, six-month review, and countless other provisions -- the QPAP either meets or exceeds the provisions included in performance assurance plans approved by the FCC (and the respective state commissions).

Accordingly, Qwest respectfully requests that the Commission issue a recommendation to the FCC determining that the QPAP satisfies the FCC's zone of reasonableness criteria under the public interest standard of section 271.

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139 *See* Multistate Facilitator's Report at 86.

140 *See New York Order* ¶ 443; *Texas Order* ¶ 430.

Being first duly sworn upon oath, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed on this _____ day of _____, 2002.

_____
MARK S. REYNOLDS

STATE OF SOUTH DAKOTA

COUNTY OF MINNEHAHA

Subscribed and sworn to before me this _____ day of _____, 2002.

_____
Notary Public

Being first duly sworn upon oath, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed on this 25 day of March, 2001.

Mark S. Reynolds

Mark S. Reynolds

STATE OF WASHINGTON)
) ss.
KING COUNTY)

Subscribed and sworn to before me this 25 day of April, 2001.

Lori L. White

Notary Public

LORI L. WHITE
NOTARY PUBLIC
COMMISSION EXPIRES
7-10-03
STATE OF WASHINGTON

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

RECEIVED
APR 03 2002
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271 (C) OF THE TELECOMMUNICATIONS ACT OF 1996	))))	DOCKET TC 01-165

QWEST CORPORATION'S

AFFIDAVIT

OF

JUDITH M. SCHULTZ

REGARDING

CHANGE MANAGEMENT

April 1, 2002

Judith M. Schultz, duly sworn upon oath, states as follows:

QUALIFICATIONS

1. My name is Judith M. Schultz. I am a Director in the Qwest Corporation wholesale service delivery organization. My office is located at 1005 17th Street, Denver, Colorado. I have been employed by Qwest for approximately 20 years (previously known as Mountain Bell and U S WEST). I have held a variety of positions at Qwest, including sales, senior quality management, program management, product management, product development, and wholesale systems planning. I am currently Director -- Change Management and am responsible for directing the change management process redesign effort and managing the implementation of Qwest's change management process.

I. PURPOSE OF AFFIDAVIT

2. The purpose of this affidavit is to show that Qwest and its competitive local exchange carrier (CLEC) counterparts have worked together to develop and implement a robust change management plan. This affidavit describes Qwest's change management process. Using the FCC's prior decisions as a guideline, I show how Qwest's CMP satisfies the following four factors relied upon by the FCC to evaluate a BOC's change management plan. 1/

1/ Three additional factors used by the FCC to evaluate a BOC's change management plan are being evaluated in the Regional Oversight Committee's (ROC) test of Qwest's Operations Support Systems (OSS). These factors evaluate whether Qwest provides CLECs with access to a stable testing environment, whether its electronic data interchange (EDI) documentation is efficacious, and whether Qwest provides adequate assistance to CLECs to support the use of its OSS functions. *See Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in*

"(1) information relating to the change management process is clearly organized and readily accessible to competing carriers; (2) competing carriers [have] substantial input in the design and continued operation of the change management process; (3) the change management plan defines a procedure for the timely resolution of change management disputes;" and (4) "the BOC has demonstrated a pattern of compliance with [its change management plan]." 2/

II. THE CHANGE MANAGEMENT PROCESS (CMP)

A. Background on the Development of Qwest's Change Management Process

3. Since 1999, Qwest and CLEC's have jointly participated in a forum for managing changes related to Qwest's products, processes, and systems that support the five categories of OSS functions (pre-ordering, ordering, provisioning, maintenance and repair, and billing). This Qwest-CLEC forum was previously known as the "Co-Provider Industry Change Management Process" or "CICMP" and is now known as the Change Management Process or "CMP." 3/ The change management process is used to process and communicate to CLEC's any changes to Qwest's OSS Interfaces and to products and processes that are within the scope of CMP. 4/

Arkansas and Missouri, CC Docket No. 01-194, Memorandum Opinion and Order, FCC 01-[illegible] (rel. Nov. 16, 2001) ("*Arkansas/Missouri 271 Order*"), Appendix D, ¶ 42.

2/ *Arkansas/Missouri 271 Order*, App. D at ¶ 42.

3/ At the August 15, 2001 CMP meeting, CLEC voted to change the name of the [illegible] CMP to [illegible] CMP.

4/ Qwest's change management process is set forth in the Qwest Wholesale Change Management Document (Wholesale CMP). The CMP Redesign core team agreed to define the term "OSS Interfaces" as "existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and systems functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for

4. The CMP also provides CLECs the opportunity to provide input into Qwest changes and to propose their own. The CLECs and Qwest meet collaboratively at least two days each month to consider such change requests, referred to as "CRs", which may include CLEC-Originated CRs, Qwest-Originated CRs, Industry Guideline CRs, and Regulatory CRs. Minutes from these meetings are posted on Qwest's CMP website and distributed to participating CLECs regularly.[5]

5. The CLECs and Qwest jointly prioritize CLEC-Originated CRs and Qwest-Originated CRs for OSS Interfaces and test environments. If the change requests for an interface or test environment do not exceed release capacity, no prioritization for that release is required. In addition, the CLECs have the ability to prioritize Industry Guideline CRs and Regulatory CRs if these types of changes have a date certain for implementation, in the case of Regulatory CRs, or a recommended implementation date, in the case of Industry Guideline CRs, and Qwest determines that the changes can be implemented in more than one release and will meet the required date.

6. Changes to Qwest OSS interfaces, products, or processes must be communicated to CLECs according to agreed-upon timeframes contained in the CMP. Qwest also provides to CLECs, on a quarterly basis, its twelve-month Development Plan, which shows

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local services provided by CLECs to their end users. See Wholesale CMP Timeline Process, which is attached as Exhibit A.

5/ Prior to October 2001, these meetings were held one day a month. In response to the need to devote more time to discussing changes, Qwest began holding CMP meetings two full days a month, with one day devoted to systems issues and one day devoted to products and process issues.

at a high level, the development plans for all OSS interfaces that Qwest provides to CLECs. This information helps CLECs plan for upcoming OSS changes.

7. The CMP procedures are described in much greater detail below.

B. The Redesign Process

8. In June 2001, Qwest entered into a collaborative effort with the CLEC community to redesign its change management procedures. The Qwest team involved in the CMP redesign works at my direction.

9. The redesign team has been meeting, generally twice a month, since July 2001. Redesign meetings are separate from the regular CMP meetings, which are held primarily to discuss change requests. Although Qwest hoped to complete the redesign effort by December 2001, it is now likely to be completed during the first half of 2002.

10. The redesign effort provides an opportunity for CLECs and Qwest to jointly redesign the change management process. As agreements are reached through this process, Qwest has implemented the agreed-upon changes as soon as practicable. The redesigned CMP is contained in the Wholesale CMP.

6/ Information about the CMP Redesign can be found at http://www.qwest.com/wholesale/cmpredesign.html.

7/ In addition, Qwest maintains a document that is referred to by the Qwest CLEC redesign team as the "Interim Draft Master Red-lined CLEC-Qwest CMP Redesign Framework" (hereafter referred to as the "Master Red-lined Framework"). It is continuously updated to incorporate the most recent agreements arrived at through the redesign process. The document can be found on Qwest's CMP website at the following URL: http://www.qwest.com/wholesale/cmpredesign.html in the "Redesign Documentation" section. The Master Red-lined Framework is redlined to show changes from the initial draft which was based on the Ordering and Billing Forum (OBF) Issue 2233, Version 1 v1, the agreed upon starting point for negotiations. As noted in the document, italicized text represents OBF language not yet discussed by the team.

11. Although the FCC, in its Section 271 review, appears to require that change management procedures be implemented only for changes to OSS interfaces, 8/ Qwest has agreed to include in its redesigned change management plan changes to products and processes as well. 9/ The redesign negotiation process is complete with respect to all substantive systems issues. Qwest and the CLECs have worked out processes for all aspects of the wholesale CMP, including discussing and revising the OBF language, and the agreed-upon processes have been implemented. The end result is a complete change management process with only one impasse issue (whether OBF language that treats changes to meet performance measurements as regulatory changes should be included in the Qwest CMP definition of Regulatory Changes). This impasse issue does not impact Qwest's compliance with the requirements of Section 271.

12. With respect to products and processes, the redesign effort produced procedures governing CLEC-initiated change requests, which Qwest implemented. 10/ Qwest also implemented interim procedures for handling Qwest-initiated products and process changes. Further negotiations on products and processes should be completed by the middle of 2002, if not sooner.

8/ To my knowledge, the FCC consistently has defined and evaluated BOC change management procedures in terms of systems changes only. In addition, OBF Issue 2211 does not contain any processes for product or process changes.

9/ The term "products and processes" refers to retail *products* that are resold by CLECs and to BOC *processes* (not systems) that CLECs interact with or use in their local telecommunications businesses. These terms are discussed further below.

10/ *See* Wholesale CMP § 3.3 (Exhibit A).

13. The core team that is meeting to redesign the change management process is composed of representatives from several CLECs, and Qwest. Participation in the redesign process is open to all CLECs, and meetings are open. In addition, the Colorado Public Utilities Commission staff attended sessions, as have representatives of Capricorn Group & Young (a third party test consultant in Arizona) and KPMG Consulting (a third party test consultant in the 13 Regional Oversight Committee (ROC) states).

14. The CLEC/Qwest redesign team agreed to begin with OBF Issue 2233, version a1v1, as a starting point for negotiating the redesigned change management procedures. OBF Issue 2233 refers to a forum for industry-wide deliberations on development of national guidelines pertaining to change management. To date, almost all of the OBF document has been negotiated and base-lined, as reflected in the Wholesale CMP. [2] These include:

- Introduction and Scope
- Types of Change
- CMP Escalation and Dispute Resolution Processes
- CLEC and Qwest Originated OSS Interface Change Request Initiation Processes
- CLEC and Qwest Originated Product/Process Change Request Initiation Process
- Changes to Existing OSS Interfaces

1/ Generally, about eight CLECs participate at each Redesign session. Those CLECs are Allegiance Telecom, AT&T, Covad Communications, Eschelon Telecom, Integra, SBC Telecom, Sprint, and WorldCom.

2/ The parts of the OBF language that have yet to be agreed upon are indicated by notes in the Wholesale CMP.

- Introduction and Retirement of OSS Interfaces
- Prioritization
- Interface Testing
- Production Support
- Technical Escalation Process
- Meetings, Scope, and Production Support

15. Qwest implemented each section, as promptly as possible, once agreement was reached. The parties have agreed that, upon completion of the redesign process, they will have the opportunity to revisit any part of the redesigned plan in light of the whole.

16. The group adopted procedures to govern meetings and other aspects of the redesign process. The rules specify the information that is to be circulated electronically prior to the meetings. Minutes of each meeting are recorded by Qwest, circulated to participants for revision, then finalized and posted on the CMP website. CMP rules also specify the minimum content for the website. 13/

17. CLECs and Qwest make every effort to achieve consensus. On rare occasions when consensus is not reached, there are specified procedures for resolving an impasse. Disputes are resolved by state regulatory commissions, either in an existing Section 271 docket or in a new proceeding. The dispute resolution process is discussed in more detail below.

13/ *See* Wholesale CMP § 8.3 (Exhibit A).

18. Qwest has undertaken substantial efforts to train its personnel on the requirements of the CMP and to keep its personnel updated on current CMP requirements. Over 9,000 Qwest employees and contractors have successfully completed the first module of mandatory internal training regarding the CMP Redesign.

19. The redesign process is only one stage in the evolution of change management. While Qwest is committed to abide by the agreed upon redesigned CMP, the CMP remains open to additional changes that could continue to modify the CMP over time.[14] The FCC has recognized that the change management process is evolutionary by definition:

> We do not expect any change management plan to remain static. Rather, a key component of an effective change management process is the existence of a forum in which both competing carriers and the BOC can work collaboratively to improve the method by which changes to the BOC's OSS are implemented.[15]

Qwest's Change Management Process

20. The following sections describe the current Qwest change management process. This process is the outcome of the collaborative Qwest/CLEC CMP redesign process described in the previous section. For convenience, the following sections describing the change management process track in order the sections of the Wholesale CMP, insofar as possible. That document embodies the change management procedures under which Qwest now operates.

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14 Wholesale CMP § 1.0 (Exhibit A).

15/ *Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Texas*, CC Docket No. 00-65, Memorandum and Opinion Order, FCC 00-238 (rel. June 30, 2000) ("*Texas 271 Order*"), at ¶ 111.

1. Scope

21. The scope of Qwest's Change Management Process, as agreed upon by CLECs and Qwest in the collaborative redesign process, is defined as follows:

> This document [the Wholesale CMP] defines the processes for change management of OSS interfaces, products and processes (including manual) as described below. CMP provides a means to address changes that support of affect pre-ordering, ordering/provisioning, maintenance repair and billing capabilities and associated documentation and production support issues for local services provided by CLEC's to their end users. 16/

2. Types of Changes

22. The redesign team reached agreement on procedures governing the following types of changes to OSS interfaces with the exception of certain components of Regulatory Changes: 17/

(1) Regulatory Changes: A Regulatory Change is a change that "is mandated by regulatory or legal entities, such as the Federal Communications Commission (FCC), a state commission/authority, or state and federal courts. Regulatory changes are not voluntary but are requisite to comply with newly passed legislation, regulatory requirements, or court rulings. Either the CLEC or Qwest may initiate the change request." 18/

(2) Industry Guideline Changes: An Industry Guideline Change is a change made to implement Industry Guidelines using a national implementation timeline, if any. Either Qwest or the CLEC may initiate the change

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16/ Wholesale CMP § 1.0 (Exhibit A).

17/ Wholesale CMP § 2.0 (Exhibit A).

18/ Wholesale CMP § 2.1 (Exhibit A). Qwest and the CLECs reached agreement on the meaning of "regulatory change" at the February 19 redesign session. However, the PID PAP impasse issue was not resolved

request. These guidelines are industry-defined by the following organizations:

- Alliance for Telecommunications Industry Solutions (ATIS)
- Ordering and Billing Forum (OBF)
- Local Service Ordering and Provisioning Committee (LSOP)
- Telecommunications Industry Forum (TCIF)
- Electronic Commerce Inter-exchange Committee (ECIC)
- Electronic Data Interface Committee (EDI)
- American National Standards Institute (ANSI)

(3) Qwest-Originated Changes: A Qwest Originated change is a change that is originated by Qwest, does not fall within the changes listed above, and is within the scope of CMP.

(4) CLEC-Originated Changes: A CLEC Originated change is a change that is originated by a CLEC, does not fall within the changes listed above, and is within the scope of CMP.

3. CLEC or Qwest OSS Interface Change Request Initiation Process

23. The procedures governing CLEC or Qwest initiated requests for changes to OSS interfaces are set forth in Section 3.1 of the Wholesale CMP (Exhibit A). The first step in the process is for the CLEC or Qwest change request initiator to e-mail a complete change request form to the Qwest Systems CMP Manager.[19] The change request form is included on the Qwest CMP website, together with instructions for completing and e-mailing the form. Qwest's CMP Manager assigns a CR tracking number, logs it into the CMP database, and sends acknowledgment of receipt to the originator and update the CMP database.

24. Within eight business days of receipt of a complete CR, the CR Project Manager (CRPM) holds a clarification meeting with the originator and the Qwest SMEs unless

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19/ *See* Wholesale CMP § 3.1 (Exhibit A).

the CR originator is not available within the above specified time frame. At the meeting, "Qwest and the originator will review the submitted CR, validate the intent of the originator, clarify all aspects, identify all questions to be answered, and determine deliverables to be produced." 20/ Within five business days, the CR Project Manager must document and issue minutes of the meeting.

25. If a CR is received within 3 weeks of the next scheduled CMP meeting, it will be presented and "clarified" at that meeting. After presentation of the CR by the originator and discussion of issues identified at the CMP meeting, the CR may be modified. Qwest also provides a level of effort for those OSS interface CRs provided 21 days in advance of the CMP meeting.

26. Qwest's response to a CR will be either "accepted" or "denied." If Qwest accepts the CR, Qwest must include in its response a determination and presentation of the options for implementation and identification of the preliminary level of effort required in terms of a range of hours. If Qwest denies a CR, Qwest's response must include the basis for its denial, with reference to substantiating material.

27. If the CLECs do not accept a Qwest denial, they may escalate the denial, seek dispute resolution, or defer further consideration of the CR until a later date. Accepted systems CRs move into the prioritization process, which are discussed below.

20/ Wholesale CMP § 3.1 (Exhibit A).

4. CLEC-Originated Product and Process Change Requests

28. The procedures for CLEC-initiated changes to Qwest products and processes are similar to the procedures for changes to systems interfaces. They are set forth in Section 3.3 of the Wholesale CMP. 21/

5. Qwest-Initiated Product/Process Change Requests

29. The redesign team has agreed to a detailed interim process for Qwest-initiated Product Process changes. The Interim Qwest Initiated Product Process Change Process is attached as Exhibit C. 22/ As the introductory note in that document states, the parties agreed that Qwest would implement the interim process. At the same time, the CMP Redesign team would work together to refine the process, as described below. The parties anticipate that this effort will be complete by April 16, 2002. Qwest will then incorporate the process into the Qwest Wholesale Change Management Process Document.

30. The interim process classifies Qwest-initiated changes into four groups, labeled Levels 1-4. Level 1 is defined as "changes that do not alter CLEC operating procedures or are time critical corrections," and includes changes such as verbiage clarifications and corrections that do not change the initial purpose of a document. Level 2 is defined as "changes that have minimal effect on CLEC operating procedures," and includes changes such as email address, telephone number, and fax number changes. Level 3 is defined as "changes that have moderate effect on CLEC operating procedures and require more lead-time before

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21/ Wholesale CMP § 3.2 (Exhibit A).

22/ This document can also be found at the following URL: www.qwest.com/wholesale/cmp/whatsnew.html

implementation than Level 2 changes," and includes changes such as product enhancements that do not drive new processes and customer-facing center hour changes. Level 4 changes are defined as "changes that have major effect on existing CLEC operating procedures or that require the development of new procedures," and include changes such as interval changes and new processes related to product enhancements.

31. Each level defines a different process for changes falling within that level. For Level 1 changes, Qwest provides a notification to CLEC's describing the change, there is no comment cycle for such changes. For Level 2 changes, Qwest provides a notification to CLEC's describing the change at least 21 calendar days in advance of the change. There is also a comment cycle, which provides for CLECs to submit comments and Qwest to reply to these comments prior to implementation of the change. For Level 3 changes, Qwest provides a notification to CLECs describing the change at least 31 calendar days in advance of the change. There is also a comment cycle, which provides for CLEC's to submit comments and Qwest to reply to those comments prior to implementation of the change. Qwest will implement Level 3 changes no sooner than 15 calendar days after providing its response to CLEC comments. Thus, the implementation date for Level 3 changes is 31 to 45 days from the initial notification, depending upon when Qwest responds to CLEC comments.

32. Level 4 changes, which have the most impact on CLEC's, require Qwest to submit a CR describing the proposed change. The CR is then presented at the monthly product/process CMP meeting for discussion with CLECs. Together, CLEC's and Qwest will develop a process for Qwest to obtain CLEC input regarding the proposed change, which may

include conferences or written comment cycles. After obtaining CLEC input in accordance with the process agreed at the monthly product process CMP meeting, Qwest will modify the CR, if necessary, and design a solution. Qwest will then provide notification to CLECs of the planned change at least 31 calendar days prior to implementation. It is important to note that this notification is not issued until after Qwest and CLECs have discussed Qwest's CR, CLECs have provided input pursuant to the agreed process, and the CR is modified, if necessary. At this point, the process provides for a comments cycle similar to that for Level 3 changes, which results in an implementation date of 31-45 days from the date of the notification.

33. For Levels 2 through 4, where Qwest provides responses to CLEC comments, any CLEC that does not accept Qwest's response may elect to escalate the issue or pursue dispute resolution in accordance with the CMP escalation and dispute resolution provisions.

34. The description for each of the Levels 1-4 sets forth a list of the categories of changes that fall under that level. If a particular category of change is not listed under Level 1 or Level 2, Qwest will issue a Level 3 notification. As described below, Level 3 notifications provide for a comment cycle and 31 to 45 calendar days of notice prior to implementation of the change. Qwest and CLECs will discuss any requests to change the level under which a noticed change falls or to establish new change categories under Levels 1 through 4 at the monthly CMP meeting. If the parties do not reach agreement regarding such a request, the issue will be determined by a majority vote.

35. As mentioned above, the CMP Redesign team reached agreement regarding this interim process on March 19, 2002. The parties also agreed to refine the categories of changes for each level by reviewing Qwest initiated product/process notices issued over the last few months in order to make the list of categories in each level more exhaustive. Qwest and the CLECs expect that this initial effort will be completed by April 16, 2002. After this review, CLECs and Qwest will baseline this process, and it will be added to the Qwest Wholesale Change Management Process Document.

6. Prioritization of Change Requests

36. As part of the change management process, CLECs participate with Qwest in determining the priority assigned to Qwest-originated and CLEC-originated OSS Interface changes as well as Industry Guideline changes and Regulatory changes that are subject to prioritization.

37. Procedures for prioritizing changes to systems interfaces are complete. These prioritization procedures do not apply to changes that require the introduction of a new interface or retirement of an old interface; instead separate procedures apply, which are discussed below.

38. The prioritization process allows CLECs to rank CLEC-originated and Qwest-originated change requests for an upcoming IMA major release. CLECs also have the ability to prioritize Industry Guideline CRs and Regulatory CRs in the event that these types of changes have a date certain for implementation (in the case of Regulatory CRs) or a

recommended implementation date (in the case of Industry Guideline CRs) and Qwest determines that the changes can be implemented in more than one release and still meet the required implementation date. 23

39. Prioritization of major release change requests is determined through a ranking process. Qwest and all CLEC's that elect to participate in the ranking assign a numeric value to a given CR. For example, if there are 10 CRs to rank, Qwest and each CLEC assign a value of 1 to 10 (with 10 indicating their highest priority) to each CR. CLEC's have already used this procedure to rank CRs for the IMA 10.0 Release and the IMA 11.0 Release.

40. The redesign team has also agreed in principle to adopt a Special Change Release Process ("SCRP"). The SCRP will allow any participant (Qwest or any CLEC) to fund, itself, any change it wants to make in the next major release that otherwise would not have been included due to the prioritization process.

41. Given the list of priorities established through CMP, Qwest begins its development cycle, in order of priority beginning with regulatory changes and industry guideline changes, followed by the ranked CRs.24 Qwest's information technology (IT) group defines the business and functional specifications for implementing the proposed changes. During this process, IT considers which CRs can be included in the upcoming release (based on release capacity, CR synergies, and other factors). Qwest then provides Packaging Options, which are

23 See Wholesale CMP §§ 9.1.1 and 9.1.2 (Exhibit A).

24 See Wholesale CMP § 3.2 (Exhibit A).

different combinations of candidates based on affinities among related CRs and upon efficiencies of implementing the CRs in the same release. Based on the outcome of the packaging discussion with the CLECs, which is conducted during CMP meetings, Qwest defines the architectural and code changes required for each CR and presents a final list of CRs that can be implemented.

42. If, after Qwest commits to a final list of CRs for inclusion in the release, Qwest determines that changes cannot be made in time for a planned release, Qwest notifies the CMP group and discusses alternatives. Alternatives may include, for example, removing the CR from the list or delaying the release date to incorporate the CR. Once the change is implemented as part of a release, the CR is presented for formal closure at the next CMP meeting.

7. Introduction of New OSS Interfaces

43. The introduction of new OSS interfaces is subject to the change management process. The redesign team has developed procedures governing such changes, which are set forth in Section 4.0 of the Wholesale CMP. 25/ These procedures give CLECs advance notice of the introduction of new OSS interfaces; provide them with adequate information, documentation, and training in advance; and provide an opportunity for CLEC input into the process.

25/ See Wholesale CMP § 4.0 (Exhibit A).

a. Introduction of New Application-to-Application Interfaces

44. At least nine months in advance of the target implementation date for a new application-to-application interface, Qwest issues a Release Announcement and posts on its website the Preliminary Interface Implementation Plan.

45. These documents include, where practicable, the following: (1) the proposed functionality of the interface; (2) proposed implementation timeline (including comment cycle); (3) proposed meeting date for review of the preliminary plan; (4) exceptions, if any, to industry guidelines or standards; and (5) planned implementation date.

46. CLECs have 14 days from the Initial Release Announcement to provide written comments on the documentation. Qwest responds to CLEC comments within 21 days of the Initial Release Announcement. Qwest reviews these issues and the implementation schedule at the Preliminary Implementation Plan Review Meeting, which is held approximately 28 days after the Initial Release Announcement.

47. Qwest provides draft technical specifications to CLECs at least 120 days before implementation of a new interface, with the applicable content defined in the CMP procedures. Qwest also holds a walk-through with CLECs between 106-110 days before implementation, to afford CLEC subject matter experts (SMEs) the opportunity to ask questions and discuss specific technical requirements with the Qwest SMEs.

48. CLECs may send written comments or concerns to Qwest's Systems CMP Manager no less than 104 days before implementation. Qwest responds to CLEC questions, concerns, and action items in writing no later than 100 days before implementation. The

responses are shared with all CLECs, unless marked proprietary, and any changes are set forth in the final notification letter and in the final specifications.

49. Generally, no less than 100 days prior to implementation, Qwest issues the Final Release Requirements via website posting and CLEC notification. This document will include: (1) the final notification letter, (2) summary of changes from Qwest response to CLEC comments on the Draft Technical Specifications, (3) if applicable, indication of type of change, (4) purpose, (5) reference to final technical specifications or web site address, (6) additional pertinent material, (7) final connectivity and firewall rules, (8) final test plan (including joint testing period), and (9) release date.

50. Qwest's planned implementation date is no sooner than 100 calendar days from the date of the final release requirements. Production support changes can occur during the 30-day test window and are posted to Qwest's website within 24 hours of the change.

b. Introduction of New GUI Interfaces

51. The procedures for issuing a new graphical user interface (GUI)[26] are less involved than procedures for a new Application-to-Application interface because the CLEC is not required to make changes to its systems in order to use the new GUI interface (although it may need to make changes to its business processes). When introducing a new GUI interface, Qwest issues a Release Notification 45 days in advance of the Release Production Date. The

26 Wholesale CMP § 4.2 (Exhibit A)

release notification includes the proposed functionality, implementation timeline, implementation date, and logistics for the GUI Interface Overview.

52. Not less than 28 days prior to the target implementation date, Qwest issues a Release Announcement, with a draft user guide and information about training. Not less than 27 days prior to the target implementation date, Qwest holds an Interface Overview meeting with CLECs. At least 25 days before implementation, CLEC's may forward their comments and concerns, if any, to Qwest. Qwest reviews written CLEC comments and concerns and may address them with the release of the Final Notification. The Final Notification is issued not less than 21 days prior to implementation, and includes a summary of changes from the original notice, a final user guide, final training information, and the final implementation date.

8. Changes to Existing OSS Interfaces

53. The redesign team has agreed upon a set of procedures that govern Qwest's implementation of changes to existing systems interfaces. These procedures are set forth in Section 5.0 of the Wholesale CMP. Pursuant to the procedures, Qwest provides at the first CMP meeting of every quarter a rolling 12-month view of its OSS development schedule for both Application-to-Application interfaces and GUI. As noted in the CMP framework, Qwest's standard operating procedure for IMA interfaces is to implement three major releases and three point releases within a calendar year. CMP procedures permit Qwest to implement no more than four releases per OSS interface that require coding changes to the CLEC interfaces within a calendar year, unless additional requirements are mandated by a regulatory authority. The CMP provides further that major release changes should occur no fewer than three months apart.

c. Versioning

54. Qwest maintains the previous version of IMA-EDI for six months after the release of a new version of IMA-EDI. "Versioning" permits CLEC's to decide when they are ready to implement the new version by allowing CLECs to use the older version for as long as they choose during the six-month period. 27/ Past versions can only be modified as a result of production support changes; other changes must be included in future releases. Unlike IMA-EDI, Qwest makes one version of a GUI, such as the Electronic Bonding - Trouble Administration (EB-TA) and billing interfaces, available at any given time because CLEC's access GUIs through web-based connections and changes to GUIs do not require CLECs to modify any coding.

d. Changes to application-to-application interfaces

55. For application-to-application interfaces, the CMP establishes timeframes for the notification and distribution of information about interface changes. Qwest provides draft technical specifications needed to enable CLECs to code the interface change at least 73 days prior to implementation of the release, unless the exception process has been invoked. 28/ CLECs may provide written comments on the technical specifications within 18 days from the

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27/ The FCC has found versioning useful to a BOC's demonstration that its change management process affords competing carriers a meaningful opportunity to compete because it "ensures that system changes and enhancements do not adversely affect a carrier's ability to access the BOC's OSS." *See Application of Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions) And Verizon Global Networks Inc., for Authorization to Provide In-Region InterLATA Services in Massachusetts*, CC Docket No. 01-9, Memorandum and Opinion Order, FCC 01-130 (rel. Apr 16, 2001), ¶ 107 (*quoting Texas 271 Order at* ¶ 115).

28/ Technical specifications are documents that provide information CLECs need to code the interface

date of initial publication of the specifications. Between 58 and 68 days prior to implementation, Qwest sponsors a walk-through to afford CLEC SMEs and Qwest SMEs the opportunity to ask each other questions and discuss technical requirements. CLECs may provide written comments on the draft technical specifications no less than 55 days prior to implementation. Qwest provides written responses to CLEC questions, concerns and action items remaining from the walk-through no less than 45 days prior to implementation, and shares those responses with all CLECs.

56. Any resulting changes are incorporated into the final technical specifications and included in the final notification letter sent to CLECs. Qwest's planned implementation date is at least 45 days from the date final specifications are provided. Qwest provides a 30-day test window prior to the release production date during which time only production support changes may be made to the specifications. Production support changes can occur during the 30-day test window without advance notification, but are posted to Qwest's website within 24 hours of the change.

e. Changes to GUI interfaces

57. For changes to GUI interfaces, at least 28 days prior notice of the planned implementation date and draft release notes is required. CLECs may provide comments on the GUI documentation not less than 25 days prior to implementation, with final notice of the release to be published at least 21 days prior to the production release date. Qwest considers CLEC comments and may address them within four days.

58 Qwest's planned implementation date is not less than 21 days from the date of the release notice. Production support changes may occur without advance notification and are posted to Qwest's website within 24 hours of the change.

9. Retirement of Existing OSS Interfaces

59 CMP procedures also cover the retirement of existing OSS interfaces.[29] Retirement occurs when Qwest ceases to accept transactions using a specified OSS interface. This may include removal of a Graphical User Interface (GUI) or removal of a protocol transmission of information (application-to-application) interface.

60 For application-to-application interfaces, Qwest shares its retirement plans via its website postings and CLEC notifications provided at least nine months before the retirement date. Before retirement, the new interface must already be in a CLEC-certified production release (unless the old interface has not been used for the three most recent consecutive months, in which case 30 days prior notice of retirement is required).

61 The retirement notice must contain specific information, including the rationale for proposed retirement, available alternatives, a proposed detailed retirement timeline, and the targeted retirement date. CLEC comments on the Initial Retirement Notice are due to Qwest no later than 15 days following the Initial Retirement Notice. Qwest makes available to existing CLEC users of the old interface another interface with "comparable functionality" not

[29] Wholesale CMP § 6.0 (Exhibit A).

less than six months prior to retirement. A final Retirement Notice is issued to CLECs no later than 228 days prior to retirement of the release.

62. For GUI retirements, Qwest will notify the CLECs via website postings and notifications at least two months in advance of the target retirement date. The new interface is to be in a CLEC certified production release prior to the retirement of the older interface. Alternatively, Qwest may choose to retire a GUI if there is no CLEC usage of that interface for the most recent three consecutive months. Qwest will provide 30 days notice of the retirement via web posting and CLEC notification. CLECs may provide comments to Qwest no later than 15 days following the Initial Retirement Notice. Qwest will make comparable functionality available no less than 31 days before retirement of a GUI. Qwest must issue a Final Retirement Notice no later than 21 days following the Initial Retirement Notice.

10. Meetings

63. The redesign team reached agreement on the frequency and purpose of the monthly CMP meetings, as set forth in Section 8.0 of the Wholesale CMP. There is also a provision for CLEC-initiated or Qwest-initiated ad hoc meetings. Meeting participants can choose to attend meetings in a person or by conference call. Requirements regarding the content and distribution of the meeting materials are also addressed in Section 8.0 of the Wholesale CMP.

11. Qwest Wholesale CMP Website

64. To facilitate access to CMP documentation, Qwest maintains CMP information on its website.[30] The website was designed with input from the CLEC community during the redesign process, is easy to use and is regularly updated. Qwest maintains closed and old versions of documents on the website's archive page for 18 months before storing the information offline. Information that has been removed from the website can be obtained by contacting the appropriate Qwest CMP Manager.

12. Application-to-Application Interface Testing (SATE)

65. The change management redesign process has generated procedures to govern Qwest's Customer Test Environment ("CTE"). The CTE offers a CLEC several ways in which to test its transaction-based application-to-application interfaces for pre-order, order and maintenance and repair functionality with Qwest's OSS. As set forth in the Wholesale CMP [31], Qwest offers the following testing options for pre-ordering and ordering:

- Stand Alone Test Environment (SATE)[32]
- Progression Testing in the Interoperability Environment
- Controlled Production

For maintenance and repair, the Qwest customer test environment is

- CMIP Interface Test Environment (MEDIACC).

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30 The URL for this website is www.qwest.com/wholesale/cmp.html

31 Wholesale CMP § 10.0 (Exhibit A).

32 Qwest's SATE is being evaluated in the OSS test.

66. The CMP states that Qwest will provide the CTE for each major release and will update each CTE for any point release that has changes that were disclosed but not implemented as part of the major release. Qwest provides initial implementation testing [33] and migration testing [34] for all types of OSS interface change requests, controlled production for pre-ordering and ordering, and an opportunity for regression testing.

67. Qwest notifies CLECs of testing schedules so that CLECs may determine whether to participate in a test. CLECs wishing to test with Qwest must participate in at least one joint planning session to prepare for testing. As long as the CLEC uses the same software components and similar connectivity configuration as it uses in production, the Wholesale CMP provides that response times in testing generally should be similar to production.[35] The Wholesale CMP also states that Qwest intends to include the service order processor (SOP) as part of the SATE component of the CTE by the end of 2002. It also provides that Qwest will make available a 30-day test window for any CLEC who desires to jointly test with Qwest prior to the Release Production Date for a major release.[36]

33/ Initial implementation testing is intended for those CLECs that are not currently in production or that want to test new ordering or pre-ordering transactions for which they have not been through testing.

34/ Migration testing refers to testing from one version of an interface to the next version.

35/ Wholesale CMP § 10.0 (Exhibit A). The CMP redesign document also notes that the CTE is not intended for volume testing. *Id.*

36/ Wholesale CMP § 5.1.8 (Exhibit A).

13. Production Support

68. The CMP redesign process also produced agreed-upon language to govern Qwest's provision of support to CLEC's in the production environment. 37/ Problems encountered by the CLEC should be reported to the IT Help Desk. Qwest will monitor, track and address troubles reported by CLEC's or identified by Qwest. A week after the deployment of an IMA release into production, Qwest will host a conference call with CLEC's to review problems and answer questions, following the CMP process for documenting the meeting, with issues to be addressed with specific CLECs and results/status reviewed at the next monthly CMP OSS meeting.

69. The Wholesale CMP includes detailed procedures that Qwest follows in operating its IT Wholesale Systems Help Desk (Help Desk), which answers CLEC questions regarding connectivity, outputs, and system outages; in handling trouble tickets; in grading the severity of troubles; and in addressing problems identified through trouble reports. 38/ If Qwest and an affected CLEC cannot reach consensus on resolution of a problem, any party may invoke the technical escalation process. The technical escalation process was reviewed with CLECs in early February 2002. 39/

37/ Wholesale CMP § 11.0 (Exhibit A)

38/ *See* Wholesale CMP § 11.3 (Exhibit A).

39/ Section 11.3 of the Wholesale CMP references the technical escalation process specification document. The technical escalation process through the Wholesale Systems Help Desk is a different process than the escalation process in Section 13 of the Wholesale CMP and the dispute resolution process in Section 14 of the Wholesale CMP.

70. A process specification document, entitled Qwest & Competitive Local Exchange Carrier (CLEC) Escalation of Technical Issues, describing the technical escalation process is posted on Qwest's wholesale website. The process provides CLEC's with a single point of contact at Qwest through which to escalate a technical issue. Pursuant to the process, a CLEC can call the Help Desk, which contacts the appropriate Escalation Management Contact. Within 15 minutes, that Escalation Management Contact must call the escalating CLEC. If the Escalation Management Contact and designated backup are unavailable, the issue is automatically escalated to the next higher level Escalation Management Contact. The EMC provides increased managerial visibility of the issue, suggests work-arounds, obtains reallocation of resources as appropriate, and provides a status to the escalating CLEC on at least a daily basis until the escalation is terminated. The escalation is terminated by request or closure of the associated technical issue.

71. In closing a trouble ticket, Qwest must provide one of four disposition codes: [40] (1) no trouble found (in Qwest systems); [41] (2) trouble to be resolved in patch; (3) CLEC should submit change request to CMP; or (4) date TBD (to be determined), if Qwest will resolve later in patch, release, or otherwise if possible when synergies exist. The CMP procedures require Qwest to track this last category and report the status and resolution of these tickets to the CMP. The CMP procedures also prescribe the contents of ticket notifications for

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40 Wholesale CMP § 11.2 (Exhibit A).

41 If it is determined that the problem resides within a CLEC's systems, Qwest records the trouble as "no trouble found" because no trouble resides within Qwest's systems.

tickets that relate to only one reporting CLEC, and "event notifications," for trouble tickets that relate to more than one CLEC. 42/ Both must be sent to CLECs, within specified intervals depending upon the severity of the ticket. 43/

72. The Wholesale CMP also explains how troubles are reported to Qwest's IT organization (§ 11.4), identifies severity levels (§ 11.5), and sets forth various guidelines pertaining to trouble ticket notifications and event notifications (§ 11.6).

14. CMP Escalation and Dispute Resolution Process

73. In order to address CLEC concerns that multi-level escalations are too time-consuming, Qwest agreed to a single level escalation process where Qwest provides a single binding position on the issue. Qwest must respond to escalations within seven days if it relates to a change request; otherwise, Qwest must respond within 14 days. The dispute resolution process allows the parties to agree to resolve the dispute through alternative dispute resolution or to submit the issue to an appropriate regulatory agency.

III. FCC CRITERIA FOR EVALUATING 271 APPLICATIONS

74. As defined by the FCC, "change management" refers to the "methods and procedures that the BOC employs to communicate with competing carriers regarding the performance of, and changes in the BOC's OSS system." 44/ The FCC has observed that the

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42 Wholesale CMP § 11.5 (Exhibit A).

43 Wholesale CMP, § 11.6, (Exhibit A).

44 *Arkansas Missouri 271 Order*, Appendix D, ¶ 41.

existence of an adequate change management process to which a BOC has adhered over time is evidence that the BOC is providing nondiscriminatory access to its OSS, [illegible] and is offering efficient competitors a "meaningful opportunity to compete."46/

75. In this section, Qwest describes the characteristics of Qwest's change management process that demonstrate Qwest's satisfaction of the following four factors identified by the FCC in the change management section of Appendix D of the *Arkansas/Missouri 271 Order*: 47/ "(1) information relating to the change management process is clearly organized and readily accessible to competing carriers; (2) competing carriers [have] substantial input in the design and continued operation of the change management process; (3) the change management plan defines a procedure for the timely resolution of change management disputes;" and "(4) the BOC has demonstrated a pattern of compliance with [its change management plan.]" 48/

45/ *Arkansas/Missouri 271 Order*, Appendix D, ¶ 40.

46/ *Arkansas/Missouri 271 Order*, Appendix D, ¶ 40

47/ *Arkansas/Missouri 271 Order*, Appendix D, ¶ 42

48/ The remaining factors identified by the FCC as part of its change management analysis are being evaluated in the ROC OSS test. These factors are: (1) the adequacy of technical assistance provided to CLECs, (2) the availability of a stable testing environment that mirrors production (Qwest's stand-alone testing environment or "SATE"); and (3) the efficacy of documentation for building an EDI interface. *See* Arkansas Missouri 271 Order, Appendix D, ¶¶ 40-42.

A. Accessibility and Organization of Information Relating to the Change Management Process

76. Qwest provides easily accessible and well-organized information regarding its change management process. Qwest maintains a website that sets forth the current change management process, including, in part, the method for proposing and processing CLEC-originated and Qwest-originated OSS interface change requests and CLEC-originated product and process change requests. 49/ Those procedures are set forth in the Wholesale CMP, which, as noted above, can be found in an updated form on the Qwest Wholesale Website. 50/ As discussed above, this document contains agreements reached through extensive negotiations between the CLEC community and Qwest regarding the redesign of Qwest's change management process. Other documents containing change management procedures are also included on the website, such as the interim procedures on Qwest-initiated products and process changes, discussed above. The CLEC's had substantial input, during the redesign process, into the organization and clarification of change management related materials on the website.

77. The website also serves as a repository of information that is useful to CLEC participation in the change request process. For example, change requests that are to be presented to the CLEC community for discussion and refinement at monthly CMP meetings will be posted on the website. (CLECs participating in the CMP also are notified of new change

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49/ The Qwest change management website can be found at the following URL: http://www.qwest.com/wholesale_cmp_redesign.html

50/ *See* Wholesale CMP (Exhibit A), which can be found at the following URL: http://www.qwest.com/wholesale_cmp_whatiscmp.html

requests by e-mail.) CLEC-originated and Qwest-originated change requests are posted to the website. The change management website includes a link to a form that allows CLECs and Qwest to submit change requests to Qwest electronically.[51] Qwest updates and maintains a database that tracks the progress of each change request, reports changes systematically using change request numbers, and uses these same numbers in communications with CLECs to identify specific changes.

78. The Qwest Wholesale Website also includes other information about the change management process, the redesign process, pending change requests and change management issues. For example, the website (1) contains a listing of the change requests, their status, and a complete history of the action taken on each request, including minutes of meetings between the CLEC originator and Qwest; (2) sets forth the schedule for systems and product/process change management meetings; (3) provides a link to OSS documentation and a list of releases notifications that are related to that documentation; and (4) provides a link to the SATE Data Documents which contain SATE test case scenarios.[52] It also includes the minutes from CMP meetings, past and future meeting schedules, the Release Calendar, release notifications, change requests, CMP contact information, information about how to make a change request, and more.

51/ *See* Product/Process and Systems links listed under "Change Requests" link at the following URL: http://www.qwest.com/wholesale/cmp/index.html

52/ The CMP website has links to the IMA-EDI page that specifies how CLECs have to use the EDI environment.

B. Competing carrier input into the design and continued operation of the change management process

79. CLEC's have had and continue to have substantial input and opportunities for input into the design and continued operation of the change management process.

80. Qwest and the CLEC's have met regularly, generally four days per month, since July 2001, to collaboratively redesign Qwest's change management procedures. The redesigned CMP has already been implemented. In sum, Qwest's current change management process provides for substantial CLEC input into both the design and the continued operation of the process. The redesign effort has provided an opportunity for CLEC's and Qwest jointly to redesign the CMP by expanding its scope, developing and documenting more detailed processes, improving notification intervals, and establishing meeting standards.

81. The redesign process operates on a parallel track with Qwest's ongoing change management forum. The schedules, agendas, and minutes of the CMP and CMP redesign meetings are posted on the Qwest CMP website. Qwest has regularly filed status reports on the progress of the redesign process beginning in October 2001. A number of CLEC's have filed comments on the status reports, and Qwest and CLEC's have participated in workshops regarding CMP related issues during the redesign process.

82. Significantly, the parties to the redesign process have already agreed that even after negotiations are completed, there will be provisions under the CMP to manage changes to the CMP.[53] The parties understand that the CMP is a dynamic process that will be

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53/ Wholesale CMP § 1.0 (Exhibit A)

subject to ongoing improvements. Now and in the future, procedures are in place to ensure that CLECs will have substantial input into the design and operation of the CMP.

83. CLECs also have substantial opportunities for input into the continual operation of the change management process. As discussed above, Qwest and CLECs jointly participate in the CMP forum for managing changes related to Qwest's OSS interfaces, products, and processes that support the five categories of OSS functions (pre-ordering, ordering, provisioning, maintenance and repair, and billing). Key elements of the monthly CMP meeting were jointly developed by the CLECs and Qwest during the redesign process. These include 1) the frequency and duration of the meeting, 2) the purpose of the meeting, 3) meeting protocol, 4) the content and distribution of meeting materials, 5) non-standard and "walk-on" agenda items, 6) the content and distribution of meeting minutes, and 7) provisions for ad hoc CMP meetings.

84. Qwest's current change management process, which is primarily comprised of processes that were implemented as a result of the CLEC-Qwest CMP redesign effort, provides opportunities for CLEC input throughout the lifecycle of a CLEC or Qwest initiated change request. For example, the process expressly provides for CLEC input regarding CLEC or Qwest initiated change requests at clarification meetings and or at monthly CMP meetings. Later in the process, CLEC input regarding Qwest's proposed solutions and or draft responses is solicited at monthly CMP meetings. Additionally, for those changes that result in Product Catalog (PCAT) or technical publication (TechPub) changes, CLECs have the opportunity to provide written comments concerning the proposed changes via a web-based customer comment tool.

85. The prioritization process also provides a significant opportunity for the CLEC's to have input to and control over which OSS Interface changes are implemented and when they are implemented. Additionally, Qwest's change management processes for the introduction and retirement of OSS interfaces and changes to existing OSS interfaces provide for CLEC input throughout the development lifecycle. For example, the process for changes to an existing application-to-application OSS Interface provides three distinct opportunities for CLEC input. First, CLECs may submit written questions and comments on the draft technical specifications. Second, Qwest hosts a "walk-through" which affords the opportunity for Qwest and CLEC technical subject matter experts to discuss the upcoming changes. CLECs are encouraged to invite their technical experts, systems architects, and designers, to attend the walk through. Third, following the walk-through, the CLEC's have an opportunity to submit written comments and questions to Qwest. 54/

C. Procedures for the timely resolution of change management disputes

86. One factor the FCC examines in its 271 evaluation is a BOC's procedures for escalation and resolution of disputes between the CLEC and the BOC regarding OSS issues. The parties to the redesign process agreed upon escalation and dispute resolution procedures, and Qwest has implemented them. The procedures are set forth in the Wholesale CMP. 55/ As of

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54/ Wholesale CMP § 5.1. As discussed above, Qwest also employs versioning for its IMA interface, meaning that it maintains a prior version of a software release for six months after implementing a new version, so that CLECs need not switch to the newer version immediately. *See Massachusetts 271 Order*, ¶ 107.

55/ Wholesale CMP §§ 13.0 (escalation) and 14.0 (dispute resolution) (Exhibit A).

March 14, 2002 the escalation procedures have been invoked on one occasion with regard to systems changes, and on four occasions with regard to product and process changes. The dispute resolution procedures have not yet been invoked as of March 14, 2002.

87. The change management escalation and dispute resolution procedures were developed jointly by Qwest and the CLEC's in the redesign process. The escalation procedures apply to all items that are the within the scope of the CMP, as well as to issues surrounding the CMP itself and its administration. 56/ The escalation procedures contain specific instructions for communicating to Qwest the escalated issue, including a statement of the CLEC's desired resolution and a request for interim action, if applicable. At the CLEC's request, the escalation process has been streamlined, and now offers CLEC's a single point of contact for a given issue. The Qwest single point of contact is responsible for providing a final binding position regarding the escalated issue within seven days for a disputed change request and within 14 days for other escalations. Escalation requests and Qwest and CLEC responses are posted to the website.

88. A CLEC or Qwest may bypass the escalation process and immediately invoke the dispute resolution process. Like the escalation process, the CMP contains specific requirements for describing and documenting the dispute. If the parties agree, the dispute can be resolved externally through an alternative dispute resolution process, alternatively, a CLEC or Qwest may submit the issue to an appropriate regulatory agency.

56/ Escalations are internal, meaning that an issue is escalated within Qwest's management ranks. In contrast, dispute resolution involves external resources.

89. Qwest and the CLECs have also agreed to procedures for impasse resolution that apply to the redesign effort. These impasse resolution procedures require CLECs and Qwest to negotiate in good faith and to make every attempt to reach consensus (both among the CLECs and between the CLECs and Qwest). As of March 14, 2002, only one issue has reached an impasse in the redesign process, as the parties have been successful in negotiating solutions in the framework of the redesign sessions.

90. In the event that an issue in dispute is at an impasse, then one of the following dispute resolution options is available: (1) Qwest will identify the impasse issues in the monthly CMP redesign status reports to the state commissions, and the issues can be treated as impasse issues in the Section 271 proceedings in those states; or (2) if a commission no longer accepts impasse issues in a 271 proceeding, Qwest or any CLEC may submit the issue following the procedures of the appropriate regulatory agency. Finally, if the parties agree, a third party may be hired to resolve the dispute. As of March 5, 2002, only one issue has been declared an impasse. As noted earlier, the impasse issue is whether ORE language that treats changes to most performance measurements as regulatory changes should be included in the Qwest CMP definition of Regulatory Changes.

91. In sum, if Qwest and the CLECs cannot reach agreement, either in the redesign process or in the change management forum itself, the escalation and dispute resolution procedures agreed to by the parties are used to resolve issues and produce a solution that Qwest and CLECs will accept and implement. Thus, even though the redesign process is not completed

and has not been fully implemented yet, the procedures already in place ensure that the redesign process will conclude successfully with a collaborative result, and not one dictated by Qwest.

D. Demonstrated pattern of compliance with Qwest's change management process

92. Qwest has demonstrated a pattern of compliance with the change management process. Qwest has complied with the agreed-upon scope of the CMP. As of March 14, 2002, Qwest has only rejected one CR on the grounds that it was not within the scope of the CMP.

93. In Qwest's processing of change requests, it has met its obligations with regard to the following agreed-upon process milestones: 1) sending acknowledgements to the CR originator; 2) posting CRs to Qwest's CMP website; 3) contacting customers to schedule clarification meetings; 4) conducting meetings to clarify CLEC CRs; 5) providing initial responses to CLEC CRs; 6) posting initial responses to Qwest's CMP website; 7) processing CRs; 8) providing final responses to CLEC CRs (if applicable); and 9) posting final responses to Qwest's CMP website (if applicable.) Between November 1, 2001 and February 2002, Qwest processed 58 new OSS Interface CRs. Of a possible 347 milestones, Qwest was responsible for missing two milestones. This equates to a 99.42% compliance rate with the CLEC Qwest Initiated OSS Interface CR Process. During this same time, Qwest processed 32 new CLEC initiated Product and Process CRs. Of a possible 126 milestones, Qwest was responsible for missing seven milestones. This equates to a 94.44% compliance rate with the CLEC Initiated Product and Process CR Process. Significantly, the compliance rate for this process in January and February 2002 was 100%.

94. Qwest also has met its obligations to: 1) track and document the status of change requests; 2) to hold regular CMP meetings; 3) to provide meeting materials in advance of the meetings; and 4) to record meeting discussion, action items, and issues. This information may be found at Qwest's CMP website. 57/

95. In Qwest's processing of escalations, it has met its obligations with regard to the following agreed-upon process milestones: 1) acknowledging receipt of escalation, 2) posting escalation on Qwest's CMP website; 3) issuing notice to CLECs, and 4) providing Qwest's binding response. As of February 2002, Qwest processed one OSS Interface escalation and four Product/Process escalations. Of a possible 16 milestones, Qwest was responsible for missing one milestone. This equates to a 93.75% compliance rate with the Escalation Process. Qwest also met its obligations regarding the development and implementation of a web-based tool for escalation requests.

96. Qwest made a commitment to provide green highlighting of all changes published in the PCAT and to red-line all changes published in the TechPubs beginning January 2, 2002. Since then, Qwest has published 102 PCAT and ten TechPub changes. All of these documents contained the agreed-upon highlighting/red-lining web notification forms, history logs, and customer notification forms.

97. Qwest has demonstrated compliance with the Prioritization Process. In August 2001, and again in October/November 2001, CLECs and Qwest jointly prioritized CLEC

57/ The information can be found at the following URL: www.qwest.com/wholesale/cmp/teammeetings.html

Originated CRs and Qwest-Originated CRs for the IMA 10.0 Release. In February 2002, CLECs and Qwest jointly prioritized CLEC-Originated CRs, Qwest-Originated CRs, and Industry Guideline CRs for the IMA 11.0 Release. At that time, there were only nine outstanding CLEC-initiated CRs.

98. In addition to demonstrating a pattern of compliance with its change management procedures, Qwest also established a pattern of quickly implementing agreements reached in the redesign process. A matrix that shows the improvements based on various agreements reached through the redesign process and when Qwest implemented them is attached as Exhibit B.58

99. In conclusion, Qwest's change management process satisfies the FCC's requirements.

58/ This matrix is also posted on the redesign website at a link entitled Change Management Process Improvements Rev. 2-15-02 at the following URL:www.qwest.com/wholesale/cmp/redesign.html

Being first duly sworn upon oath, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed on this 1st day of April, 2002.

JUDITH M. SCHULTZ

STATE OF COLORADO)
) **ss**
CITY AND COUNTY OF DENVER)

SUBSCRIBED AND SWORN TO before me on this 1st day of April, 2002 by Judith M. Schultz, who certifies that the foregoing is true and correct to the best of her knowledge and belief.

KARIN A. TUPPER NOTARY PUBLIC STATE OF COLORADO
My Commission Expires 6/22/2005

Witness my hand and official seal.

Notary Public

My commission expires:

6/22/05

CONTINUATION

[2]

Scan ~ _____ ~ # Pages [___]

Master Redlined CLEC-Qwest CMP Redesign Framework – CLEAN - History Log

Line #	Version - Filename	Effective Date	Change			
			Section #	Section Name	Subsection Name	Update Activity
1	Master Redlined CLEC-Qwest CMP Re-design Framework - Revised 02-07-02 – CLEAN – Version 1.0	02-07-02	All			Accepted changes to Master Redlines CLEC-Qwest CMP Redesign Framework
2	Master Redlined CLEC-Qwest CMP Re-design Framework - Revised 02-20-02 – CLEAN – Version 2.0	02-20-02	2.1	Types of Change	Regulatory Changes	Added changes to Regulatory Changes section as agreed to at Feb 19 Redesign Meeting
3	Master Redlined CLEC-Qwest CMP Re-design Framework - Revised 03-07-02 – CLEAN – Version 3.0	03-11-02	3.1	Change Request Initiation Process	CLEC-Qwest OSS Interface Change Request Initiation Process	Added language agreed to at March 7 Redesign Meeting.
4			9.0	Prioritization	N/A	Added language agreed to at March 7 Redesign Meeting.
5			9.3	Prioritization	SCRP	Added language agreed to at March 7 Redesign Meeting.
6			5.1.6	Change to Existing Interfaces	Final Interface Technical Specifications	Added language agreed to at March 7 Redesign Meeting.

CONTINUATION

[3]

CHANGE MANAGEMENT PROCESS (CMP) FOR LOCAL SERVICES

The highlighted portions of this document describe Qwest's current processes. These provisions may be modified through the redesign process.

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CHANGE MANAGEMENT PROCESS (CMP)

The highlighted portions of this document describe Qwest's current processes. These provisions may be modified through the redesign process.

1.0 INTRODUCTION AND SCOPE

This document defines the processes for change management of OSS interfaces, products and processes (including manual) as described below. CMP provides a means to address changes that support or affect pre-ordering, ordering/provisioning, maintenance/repair and billing capabilities and associated documentation and production support issues for local services provided by CLECs to their end users.

The CMP is managed by CLEC and Qwest representatives each having distinct roles and responsibilities. The CLECs and Qwest will hold regular meetings to exchange information about the status of existing changes, the need for new changes, what changes Qwest is proposing, how the process is working, etc. The process also allows for escalation to resolve disputes, if necessary.

Qwest will track changes to OSS interfaces, products and processes. The CMP includes the identification of changes and encompasses, as applicable, [requirement definition, design, development, notification, testing, implementation and disposition of changes – revisit list]. Qwest will process any such changes in accordance with the CMP described in this document.

The CMP is dynamic in nature and, as such, is managed through the regularly scheduled meetings. The parties agree to act in Good Faith in exercising their rights and performing their obligations pursuant to this CMP. This document may be revised, through the procedures described in Section (X).

[1] Throughout this document, OSS interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

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2.0 TYPES OF CHANGE

A Change Request should fall into one of the following classifications:

2.1 Regulatory Change

A Regulatory Change is mandated by regulatory or legal entities, such as the Federal Communications Commission (FCC), a state commission/authority, or state and federal courts, or as agreed to by Qwest and CLECs. Regulatory changes are not voluntary but are requisite to comply with newly passed legislation, regulatory requirements, or court rulings. Either the CLEC or Qwest may initiate the change request.

2.2 Industry Guideline Change

An Industry Guideline Change implements Industry Guidelines using a national implementation timeline, if any. Either Qwest or the CLEC may initiate the change request. These guidelines are industry defined by:

- Alliance for Telecommunications Industry Solutions (ATIS) Sponsored
- Ordering and Billing Forum (OBF)
- Local Service Ordering and Provisioning Committee (LSOP)
- Telecommunications Industry Forum (TCIF)
- Electronic Commerce Inter-exchange Committee (ECIC)
- Electronic Data Interface Committee (EDI)
- American National Standards Institute (ANSI)

2.3 Qwest Originated Change

A Qwest Originated change is originated by Qwest does not fall within the changes listed above and is within the scope of CMP.

2.4 CLEC Originated Change

A CLEC Originated change is originated by the CLEC does not fall within the changes listed above and is within the scope of CMP.

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3.0 Change Request Initiation Process

3.1 CLEC-Qwest OSS Interface Change Request Initiation Process

The change request initiator will complete a Change Request Form (see Appendix X) as defined by the instructions on Qwest's CMP web site. The Change Request Form is also located on Qwest's CMP web site.

A CLEC or Qwest seeking to change an existing OSS interface, to establish a new OSS interface, or to retire an existing OSS interface must submit a change request (CR).

Regulatory or Industry Guideline Change Request

The party submitting a Regulatory or Industry Guideline CR must also include sufficient information to justify the CR being treated as a Regulatory or Industry Guideline CR in the CR description section of the CR form. Such information must include specific references to regulatory or court orders, legislation, or industry guidelines as well as dates, docket or case number, page or paragraph numbers and the mandatory or recommended implementation date, if any. If a regulatory CR is implemented by a manual process and later it is determined that a change in circumstance warrants a mechanized solution, the CR originator must provide the evidence of the change in circumstance, such as an estimated volume increase or changes in technical feasibility.

Qwest or any CLEC may submit Regulatory and Industry Guideline CRs. Qwest will send CLECs a notice when it posts Regulatory or Industry Guideline CRs to the Web and identify when comments are due, as described below. Regulatory and Industry Guideline CRs will also be identified in the CMP Systems Monthly Meeting Distribution Package. Not later than 8 business days prior to the Systems CMP Monthly meeting, any party objecting to the classification of such CR as Regulatory or Industry Guideline must submit a statement documenting reasons why the objecting party does not agree that the CR should be classified as Regulatory or Industry Guideline change. Regulatory and Industry Guideline CRs may not be presented as walk-on items.

If Qwest or any CLEC has objected to the classification of a CR as Regulatory or Industry Guideline, that CR will be discussed at the next monthly Change Management Meeting. At that meeting, Qwest and the CLECs will attempt to agree that the CR is Regulatory or Industry Guideline. At that meeting, if Qwest or any CLEC does not agree that the CR is Regulatory or Industry Guideline, the CR will be treated as a non-Regulatory, non-Industry Guideline CR and prioritized with the CLEC-originated and Qwest-originated CRs, unless and until the CR is declared to be Regulatory or Industry Guideline through dispute resolution. Final determination of CR type will be made by the CLEC and Qwest designated representatives at that monthly meeting, and documented in the meeting minutes.

Implementation Plan for Regulatory CRs

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If agreement is reached at the monthly CMP meeting that a CR constitutes a Regulatory Change, then at that same meeting, Qwest will propose an implementation plan for compliance with a regulatory mandate. The proposal will include the criteria that Qwest used to determine the proposed method of implementation, including estimated volume, an estimated level of effort for implementing a manual solution, and an estimated level of effort for implementing a mechanized solution. Qwest will express the estimated levels of effort for these purposes in terms of a range of hours required to implement. If relied upon, the criteria may also include cost, estimated volume, number of CLECs, technical feasibility, parity with retail, or effectiveness/feasibility of manual process.

If the difference between the midpoint of each range of the estimated levels of effort for implementing the manual and mechanized solutions is less than 10% of the larger number and Qwest did not rely upon other criteria in determining the proposed method of implementation, then the decision regarding whether to implement the manual or mechanized solution will be determined by the desires of the majority of the parties present at the monthly meeting where the implementation plan is presented. For example, if Qwest did not rely on other criteria, this provision applies where the midpoint of the level of effort for the mechanized solution is 2000 hours and the midpoint of the level of effort for the manual solution is 2200 hours, because the difference is 200 hours, which is less than 10% of 2200, or 220. After the implementation plan has been discussed at that meeting, Qwest will request that a representative of each CLEC and Qwest indicate their preference for the manual or the mechanized solution, e.g., by a show of raised hands. The determination will be made by the majority of parties that express a preference. The results will be reflected in the meeting minutes.

If Qwest is unable to fully implement a mechanized solution in the first release that occurs after the CMP participants agree that a change has been mandated, Qwest's implementation plan for the mechanized solution may include the short-term implementation of a manual work-around until the mechanized solution can be implemented. In that situation, the CR to implement the mechanized change will be treated as a Regulatory Change, notwithstanding the fact that a manual work-around is required for some interim period, and Qwest will continue to work that Regulatory CR until the mechanized solution is implemented.

Qwest's implementation plan for a manual solution may include a plan to implement a mechanized solution when and if estimated volume for the functionality justifies implementation of a mechanized solution. In that situation, a subsequent CR to implement the mechanized change must be submitted when estimated volume justifies implementation of the mechanized solution and will be treated as a Regulatory Change only if the CLECs and Qwest agree to such treatment. If the parties do not agree to treat such a CR as a Regulatory Change, it will be treated as a non-Regulatory Change.

CLECs and Qwest will attempt to reach agreement on the implementation plan at the monthly CMP meeting at which the proposed implementation is presented.

If any CLEC objects to the proposed implementation plan because it disagrees with Qwest's assessment of the estimated volume, the CLEC must submit information to Qwest

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demonstrating that Qwest's volume estimate should be revised. The CLEC shall submit such information to Qwest within 5 business days after the monthly meeting.[1] Qwest shall consider all such information submitted and determine whether a revision of its volume estimate is appropriate. Within 10 business days after the monthly meeting, Qwest will notify CLECs via the mailout process whether it has determined that a revision of the volume estimate is appropriate. If it has revised the volume estimate, Qwest will include the revised volume estimate and will state whether the revised volume estimate results in a change to Qwest's estimated levels of effort to implement a manual and/or mechanized solution. If the volume estimate is revised and the revision results in a change to Qwest's estimated levels of effort to implement a manual and/or mechanized solution and/or Qwest's proposed implementation plan, Qwest will include the revised estimated levels of effort and the revised implementation plan in the notification. This implementation plan will be presented at the next monthly CMP meeting. CLECs and Qwest will attempt to reach agreement on the implementation plan at the monthly CMP meeting at which the revised implementation is presented.

The final determination regarding the implementation plan will be made by Qwest with input from CLECs, except where the estimated levels of effort for implementing the manual and mechanized solutions are not significantly different and the decision regarding whether to implement a manual or mechanized solution is determined by the CLECs, as set forth above. If no CLECs object to the proposed plan at the monthly meeting where it is first presented, final determinations will be made at that meeting and documented in the meeting minutes.

Qwest will present the proposed plan at the next monthly meeting only if all of the following apply:

- one or more CLECs object to the proposed plan at the monthly meeting where it is first presented,
- one or more CLECs submit additional volume estimate information as set forth above, and
- the additional information submitted by CLECs results in a revision to the implementation plan.

If all of the above apply, resulting in a revised implementation plan, then Qwest will present the revised implementation plan at the next monthly meeting. Final determinations regarding the implementation plan will be made at that monthly meeting and documented in the meeting minutes.

If any CLEC does not agree with the final implementation plan, the objecting CLEC may initiate dispute resolution under the CMP Dispute Resolution process.

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[1] If necessary, a CLEC may indicate that such information is confidential by marking each page with the word "Confidential." If Qwest receives information pursuant to this provision that is marked "Confidential", Qwest will not disclose such confidential information to any other CLEC, but Qwest may use such confidential information to revise its demand estimate, if appropriate, and may disclose its revised demand estimate.

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A CR originator e-mails a completed CR form to the Qwest Systems CMP Manager within two (2) business days after Qwest receives a complete CR:

- Qwest's CMP Manager assigns a CR number and logs the CR into the CMP database
- The Qwest CMP Manager forwards the CR to the CMP Group Manager
- The Qwest CMP Manager sends acknowledgement of receipt to the originator and updates the CR database.

Within two (2) business days after acknowledgement:

- The Qwest CMP Manager posts the complete CR to the CMP web site
- The CMP Group Manager assigns a Change Request Project Manager (CRPM) and identifies the appropriate director responsible for the CR.
- The CRPM obtains from the director the names of the assigned subject matter expert(s) (SME).
- The CRPM will provide a copy of the detailed CR report to the CR originator which includes the following information:
- description of CR
- originator
- assigned CRPM
- assigned CR number
- designated Qwest SMEs and associated director(s)

Within eight (8) business days of receipt of a complete CR, the CRPM will coordinate and hold a clarification meeting with the originator and Qwest's SMEs. If the originator is not available within the above specified time frame, then the clarification meeting will be held at a mutually agreed upon time. Qwest may not provide a response to a CR until a clarification meeting has been held.

At the clarification meeting, Qwest and the originator will review the submitted CR, validate the intent of the originator's CR, clarify all aspects, identify all questions to be answered, and determine deliverables to be produced. After the clarification meeting has been held, the CRPM will document and issue meeting minutes within five (5) business days. Qwest's SME will internally identify options and potential solutions to the CR.

CRs received three (3) weeks prior to the next scheduled CMP meeting will be presented at that CMP meeting. At least one (1) week prior to that scheduled CMP meeting, the CRPM will have the response posted to the web and added to CMP database. CRs that are not submitted by the above specified cut-off date may be presented at that CMP meeting as a walk-on item with current status. Qwest may not provide responses to these walk-on requests until the next month's CMP meeting. The originator will present its CR and provide any business reasons for the CR. Items or issues identified during the previously held clarification meeting will be relayed. Participating CLECs will then be given the opportunity to comment on the CR and subsequent clarifications. Clarifications and/or modifications related to the CR will be incorporated. Qwest's SME will present options and potential solutions to the CR if applicable.

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Consensus will be obtained from the participating CLECs as to the appropriate direction/solution for Qwest's SME to take in responding to the CR if applicable.

Qwest will review the CRs received prior to the cut off date and evaluate whether Qwest can implement them. Qwest's responses will be one of the following:

- "Accepted" (Qwest will implement the CLEC request) with position stated. If the CR is accepted, Qwest will provide the following in its response:
  - Determination and presentation of options of how the CR can be implemented
  - Identification of the level of effort in hoursrequired to implement the CR.
  - Identification of any CR which is a duplicate, in part or whole, to the CR being presented.
- "Denied" (Qwest will not implement the CLEC or Qwest request) with basis for the denial, including reference to substantiating material.

If CLECs do not accept Qwest's response, they may elect to escalate or dispute the CR in accordance with the agreed upon CMP escalation or dispute resolution procedures. If the originating CLEC does not agree with the determination to escalate or pursue the dispute resolution, it may withdraw its participation from the CR and any other CLEC may become responsible for pursuing the CR upon providing written notice to the Qwest CMP Manager. If the CLECs do not accept Qwest's response and do not intend to escalate or dispute at the present time, they may request Qwest to status the CR as deferred. The CR will be statused deferred and CLECs may activate or close the CR at a later date.

At the monthly CMP meeting, the CR originator will provide an overview of its respective CR(s) and Qwest will present either a status or its response.

At the last Systems CMP meeting before Prioritization, Qwest will facilitate the presentation of all CRs eligible for Prioritization. At this meeting Qwest will provide a high level estimate of the Level of Effort of each CR and the estimated total capacity of the release. This estimate will be an estimate of the number of person hours required to incorporate the CR into the release. Ranking will proceed, as described in Section x. The results of the ranking will produce a release candidate list.

3.2 CLEC-Qwest OSS Interface Change Request Lifecycle

Based on the release candidate list, Qwest will begin its development cycle which includes the following milestones:

3.2.1 Business and Systems Requirements

Qwest engineers define the business and functional specifications during this phase. The specifications are completed on a per candidate basis in priority order. During business and system requirements, any candidates which have affinities and may be more efficiently implemented together will be discussed. Candidates with affinities are defined as candidates

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with similarities in functions or software components. Qwest will also present any complexities, changes in candidate size, or other concerns that may arise during business or system requirements which would impact the implementation of the candidate. During the business and systems requirement efforts, CRs may be modified or new CRs may be generated (by CLECs or Qwest), with a request that the new or modified CRs be considered for addition to the release candidate list (late added CRs). If the CMP body grants the request to consider the late added CRs for addition to the release candidate list, Qwest will size the CR's requirements work effort. If the requirements work effort for the late added CRs can be completed by the end of system requirements, the release candidate list and the new CRs will be prioritized by CLECs in accordance with the agreed upon Prioritization Process (see Section xx). If the requirements work effort for the late added CRs cannot be completed by the end of system requirements, the CR will not be eligible for the release and will be returned to the pool of CRs that are available for prioritization in the next OSS interface release.

3.2.2 Packaging

At the conclusion of system requirements, Qwest will present packaging option(s) for implementing the release candidates. Packaging options are defined as different combinations of candidates proposed for continuing through the next stage of development. Packaging options may not exist for the release. I.e. there may only be one straightforward set of candidates to continue working through the next stage of development. Options may be identified due to

- affinities in candidates
- resource constraints which prevent some candidates from being implemented but allow others to be completed.

Qwest will provide an updated level estimate of the Level of Effort of each CR and the estimated total capacity of the release. If more than one option is presented, a vote will be held within 2 days after the meeting on the options. The option with the largest number of votes will continue through the design phase of the development cycle.

3.2.3 Design

Qwest engineers define the architectural and code changes required to complete the work associated with each candidate. The design work is completed on the candidates which have been packaged.

3.2.4 Commitment

After design, Qwest will present a final list of candidates which can be implemented. Qwest will provide an updated level estimate of the Level of Effort of each CR and the estimated total capacity of the release. These candidates become the committed candidates for the release.

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3.2.5 Code & Test

Qwest engineers will perform the coding and testing by Qwest required to complete the work associated with the committed candidates. The code is developed and baselined before being delivered to system test. A system test plan (system test cases, costs, schedule, test environment, test data, etc.) is completed. The system is tested for meeting business and system requirements, certification is completed on the system readiness for production, and pre-final documentation is reviewed and baselined. If in the course of the code and test effort, Qwest determines that it cannot complete the work required to include a candidate in the planned release, Qwest will discuss options with the CLECs in the next CMP meeting. Options can include either the removal of that candidate from the list or a delay in the release date to incorporate that candidate. If the candidate is removed from the list, Qwest will also advise the CLECs whether or not the candidate could become a candidate for the next point release, with appropriate disclosure as part of the current major release of the OSS interface. Alternatively, the candidate will be returned to the pool of CRs that are available for prioritization in the next OSS interface release.

3.2.6 Deployment

During this phase Qwest representatives from the business and operations review and agree the system is ready for full deployment. The release is deployed and production support initiated and conducted.

During any phase of the lifecycle, a candidate may be requested to be removed by the requesting CLEC. If that occurs, the candidate will be discussed at the next CMP meeting or in a special emergency meeting, if required. The candidate will only be removed from further phases of development if there is unanimous agreement by the CLECs and Qwest at that meeting.

When Qwest has completed development of the OSS interface change, Qwest will release the OSS interface functionality into production for use by the CLECs.

Upon implementation of the OSS interface release, the CRs will be presented for closure at the next CMP monthly meeting.

3.3 CLEC Product/Process Change Request Initiation Process

If a CLEC wants Qwest to change a Product/Process the CLEC e-mails a completed Change Request (CR) Form to the Qwest Product/Process CMP Manager. Within 2 business days Qwest's Product/Process CMP Manager reviews CR for completeness, and requests additional information from the CR originator, if necessary, within two (2) business days after Qwest receives a complete CR:

- The Qwest CMP manager assigns a CR Number and logs the CR into the CMP Database.
- The Qwest CMP Manager forwards the CR to the CMP Group Manager,

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- The Qwest CMP manager sends acknowledgment of receipt to the CR submitter and updates the CMP Database.

Within two (2) business days after acknowledgement:

- The Qwest CMP Manager posts the complete CR to the CMP Web site
- The CMP Group Manager assigns a Change Request Project Manager (CRPM) and identifies the appropriate Director responsible for the CR.
- The CRPM obtains from the Director the names of the assigned Subject Matter Expert(s) (SME).
- the CRPM will provide a copy of the detailed CR report to the CR originator which includes the following information:
- Description of CR
- originating CLEC
- assigned CRPM
- assigned CR number
- designated Qwest SMEs and associated director(s)
- Within eight (8) business days after receipt of a complete CR, the CRPM Coordinates and holds a Clarification Meeting with the Originating CLEC and Qwest's SMEs. If the originating CLEC is not available within the above specified time frame, then the clarification meeting will be held at a mutually agreed upon time. Qwest will not provide a response to a CR until a clarification meeting has been held.
- At the Clarification Meeting, Qwest and the Originating CLEC review the submitted CR, validate the intent of the Originating CLEC's CR, clarify all aspects, identify all questions to be answered, and determine deliverables to be produced. after the clarification meeting has been held, The CRPM will document and issue meeting minutes within five (5) business days. Qwest's SME will internally identify options and potential solutions to the CR
- CRs received three (3) weeks prior to the next scheduled CMP meeting will be presented at that CMP Meeting. CRs that are not submitted by the above specified cut-off date may be presented at that CMP meeting as a walk-on item with current status. The Originating CLEC will present its CR and provide any business reasons for the CR. Items or issues identified during the previously held Clarification Meeting will be relayed. Then, participating CLECs will be given the opportunity to comment on the CR and subsequent clarifications. Clarifications and/or modifications related to the CR will be incorporated. Qwest's SME will present options and potential solutions to the CR. consensus will be obtained from the participating CLECs as to the appropriate direction/solution for Qwest's SME to take in responding to the CR.
- Subsequently, Qwest will develop a draft response based on the discussion from the Monthly CMP Meeting. Qwest's Responses will be:
- "Accepted" (Qwest will implement the CLEC request) with position stated, or
- "Denied" (Qwest will not implement the CLEC request) with basis for the denial, including reference to substantiating material.

At least one (1) week prior to the next scheduled CMP meeting, The CRPM will have the response posted to the Web, added to CMP Database, and will notify all CLECs via email

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All Qwest Responses will be presented at the next scheduled CMP meeting by Qwest, who will conduct a walk through of the response. Participating CLECs will be provided the opportunity to discuss, clarify and comment on Qwest's Response

Based on the comments received from the Monthly Meeting, Qwest' may revise its response and issue a modified response at the next monthly CMP meeting. within ten (10) business days after the CMP meeting, Qwest will notify the CLECs of Qwest's intent to modify its response.

If the CLECs do not accept Qwest's response, any CLEC can elect to escalate the CR in accordance with the agreed upon CMP Escalation or dispute resolution Procedures. If the originating CLEC does not agree with the determination to escalate or pursue the dispute resolution, it may withdraw its participation from the CR and any other CLEC may become responsible for pursuing the CR upon providing written notice to the Qwest CMP manager.

If the CLECs do not accept Qwest's response and do not intend to escalate or dispute at the present time, they may request Qwest to status the CR as deferred. The CR will be statused Deferred and CLECs may activate or close the CR at a later date.

The CLECs' acceptance of Qwest's response may result in:

- The response answered the CR and no further action is required;
- The response provided an implementation plan for a product or process to be developed;
- Qwest Denied the CLEC CR and no further action is required by CLEC.

If the CLECs have accepted Qwest's response, Qwest will provide notice of planned implementation in accordance with time frames defined in the CMP. If necessary, Qwest may request that CLECs provide input during the development stage. Qwest will then deploy the Qwest recommended implementation plan.

After Qwest's revised/new product or process is placed into production, CLECs will have no longer than 60 calendar days to evaluate the effectiveness of Qwest's revised/new product, or process, provide feedback, and indicate whether further action is required. Continual process improvement will be maintained.

Finally, the CR will be closed when CLECs determine that no further action is required for that CR.

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[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

4.0 INTRODUCTION OF A NEW OSS INTERFACE

The process for introducing a new interface will be part of the CMP. Introduction of a new OSS interface may include an application-to-application or a Graphical User Interface (GUI).

It is recognized that the planning cycle for a new interface, of any type, may be greater than the time originally allotted and that discussions between CLECs and Qwest may be held prior to the announcement of the new interface.

With a new interface, CLECs and Qwest may define the scope of functionality introduced as part of the OSS Interface.

4.1 Introduction of a New Application-to-Application Interface

At least nine (9) months in advance of the target implementation date of a new application-to-application interface, Qwest will issue a Release Announcement, post the Preliminary Interface Implementation Plan on Qwest's web site, and may host a design and development meeting.

4.1.1 Release Announcement

- Where practicable, the Release Announcement and Preliminary Interface Implementation Plan will include: Proposed functionality of the interface including whether the interface will replace an existing interface
- Proposed implementation time line (e.g., milestone dates, CLEC/Qwest comment cycle)
- Proposed meeting date to review the Preliminary Interface Implementation Plan
- Exceptions to industry guidelines/standards, if applicable
- Planned Implementation Date

4.1.2 CLEC Comments/Qwest Response Cycle and Preliminary Implementation Plan Review Meeting

CLECs have fourteen (14) calendar days from the initial release announcement to provide written comments/questions on the documentation. Qwest will respond with written answers to all CLEC issues within twenty-one (21) calendar days of the Initial Release Announcement. Qwest will review these issues and its implementation schedule at the Preliminary Implementation Plan Review Meeting approximately twenty-eight (28) calendar days after the Initial Release Announcement.

4.1.3 Initial Interface Technical Specification

Qwest will provide draft technical specifications at least one hundred twenty (120) calendar days prior to implementing the release. In addition, Qwest will confirm the schedule for the walk-through of technical specifications, CLEC comments, and Qwest response cycle.

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and systems functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users.

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

4.1.4 Initial Notification Content

This notification will contain:

- Purpose
- Logistical information (including a conference line) for walk-through
- Reference to draft technical specifications, or web site
- Additional pertinent material
- CLEC Comment/Qwest Response cycle
- Draft Connectivity and Firewall Rules
- Draft Test Plan

4.1.5 Walk Through of Draft Interface Technical Specifications

Qwest will sponsor a walk through, including the appropriate internal subject matter experts (SMEs), beginning one-hundred and ten (110) calendar days prior to implementation and ending one-hundred and six (106) calendar days prior to implementation. A walk through will afford CLEC SMEs the opportunity to ask questions and discuss specific requirements with Qwest's technical team. CLECs are encouraged to invite their technical experts, systems architects, and designers, to attend the walk through.

4.1.6 Conduct Walk-through

Qwest will lead the review of technical specifications. Qwest technical experts will answer the CLEC SMEs' questions. Qwest will capture action items such as requests for further clarification. Qwest will follow-up on all action items.

4.1.7 : CLEC Comments on Draft Interface Technical Specifications

If the CLEC identifies issues or requires clarification, the CLEC must send written comments/concerns to the Systems CMP Manager no later than one-hundred and four (104) calendar days prior to implementation.

4.1.8 Qwest Response to Comments

Qwest will review and respond with written answers to all CLEC issues, comments/concerns and action items captured at the walk through, no later than one hundred (100) calendar days prior to implementation. The answers will be shared with all CLECs, unless the CLECs question(s) are marked proprietary. Any changes that may occur as a result of the responses will be distributed to all CLECs in the final notification letter. The notification will include the description of any change(s) made as a result of CLEC comments. The change(s) will be reflected in the final technical specifications.

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

4.1.9 Final Interface Technical Specifications

Generally, no less than one hundred (100) calendar days prior to the implementation of the new interface, Qwest will issue the Final Release Requirements to CLECs via web site posting and a CLEC notification.

Final Release Requirements will include:

- Final Notification Letter, including:
  - Summary of changes from Qwest response to CLEC comments on Draft Technical Specifications
  - If applicable, Indication of type of change (e.g., documentation change, business rule change, clarification change)
  - Purpose .
  - Reference to final technical specifications, or web site
  - Additional pertinent material
  - Final Connectivity and Firewall Rules
  - Final Test Plan (including Joint Testing Period)
  - Release date

Qwest's planned implementation date will not be sooner than one hundred (100) calendar days from the date of the final release requirements. The implementation time line for the release will not begin until final specifications are provided. Production Support type changes within the thirty (30) calendar day test window can occur without advance notification but will be posted within 24 hours of the change.

4.2 Introduction of a New GUI

Qwest will issue a Release Notification forty-five (45) calendar days in advance of the Release Production Date. This will include:

- Proposed functionality of the interface including whether the new interface will replace an existing interface.
- Implementation time line (e.g., milestone dates, CLEC/Qwest comment cycle, interface overview date)
- Implementation date
- Logistics for GUI Interface Overview
- At least twenty-eight (28) calendar days in advance of the target implementation date of a new GUI interface, Qwest will issue a Release Announcement. At a minimum, the Release Announcement will includeDraft User Guide
- How and When Training will be administered

[1] Throughout this document, OSS interfaces are defined as existing or new gateways providing application-to-application interfaces and Graphical User Interfaces, connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair and billing capabilities for local services provided by CLECs to their end users.

[2] Throughout this document, the terms "include[s]" and "including" mean "including, but not limited to."

4.2.1 Interface Overview

The Interface Overview meeting should be held no later than twenty-seven (27) calendar days prior to the Release Production Date. At the meeting, Qwest will present an overview of the new interface.

4.2.2 CLEC Comments and Qwest Response

At least twenty-five (25) calendar days prior to the Release Production Date, CLECs must forward their written comments and concerns to Qwest. Qwest will consider CLEC comments and may address them with the release of the Final Notification.

4.2.3 Final Notification

Qwest will issue a final notice no less than twenty-one (21) calendar days prior to the Release Production date. The final notice will include:

- A summary of changes from the initial notice, including type of changes (e.g., documentation change, clarification, business rule change).
- Final User Guide
- Final Training information
- Final Implementation date.

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

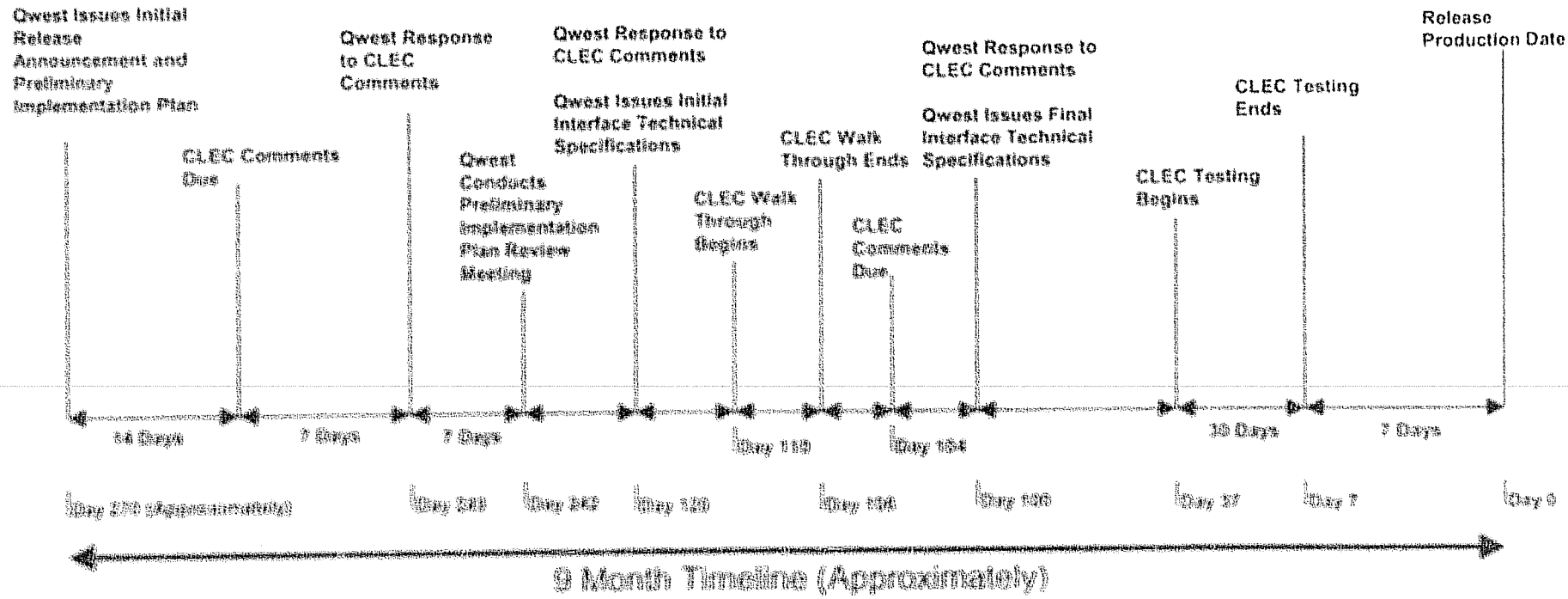
[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

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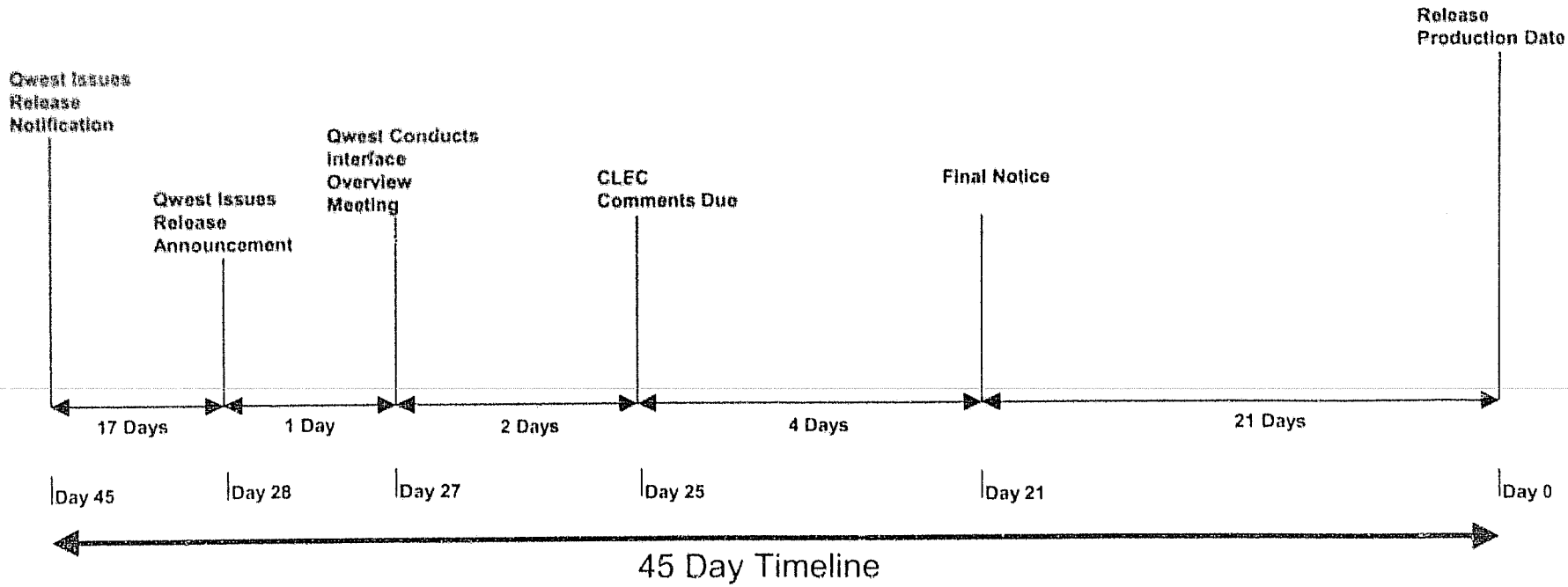
Qwest-CLEC Change Management Process
Introduction of A New Application-to-Application OSS Interface
Timeline



The events listed above are intended to occur on business days. If the date on which any event is scheduled to occur falls on a weekend or holiday, then Qwest and the CLECs may negotiate a revised timeline

* Throughout this document, OSS interfaces are defined as existing or new gateways for hosting application-to-application interfaces and supported flow-through and systems functions that support all aspects of pre-order, order, provisioning, maintenance and repair and billing capabilities for local services provided by CLEC's to their end users.
* Throughout this document, the words "testability" and "testing" mean "testing, but not limited to."

Qwest-CLEC Change Management Process
Introduction of A New Graphical User Interface (GUI)
Timeline



The events listed above are intended to occur on business days. If the date on which any event is scheduled to occur falls on a weekend or holiday, then Qwest and the CLECs may negotiate a revised timeline.

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

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5.0 CHANGE TO EXISTING OSS INTERFACES

At the first CMP systems monthly meeting of each quarter, Qwest will also provide a rolling twelve (12) month view of its OSS interface development schedule.

Qwest standard operating practice is to implement 3 major releases and 3 point releases (for IMA only) within a calendar year. Unless mandated as a Regulatory Change, Qwest will implement no more than four (4) releases per IMA OSS interface requiring coding changes to the CLEC interfaces within a calendar year. The Major release changes should occur no less than three (3) months apart.

Application-to-Application OSS Interface

Qwest will support the previous major Interconnect Mediated Access (IMA) EDI release for six (6) months after the subsequent major IMA EDI release has been implemented. Past versions of IMA EDI will only be modified as a result of production support changes. All other changes become candidates for future IMA EDI releases.

Qwest makes one version of the Electronic Bonding-Trouble Administration (EBTA) and billing interfaces available at any given time, and will not support any previous versions.

Graphical User Interface (GUI)

Qwest makes one version of a GUI available at any given time and will not support any previous versions. IMA GUI changes for a pre-order or ordering will be implemented at the same time as an IMA EDI release.

5.1 Application-to-Application Interface

This section describes the timelines that Qwest, and any CLEC choosing to implement on the Qwest Release Production Date (date the Qwest release is available for use (AT&T Comments) by CLECs), will adhere to in changing existing interfaces. For any CLEC not choosing to implement on the Qwest Release Production Date, Qwest and the CLEC will negotiate a mutually agreed to CLEC implementation time line, including testing.

5.1.1 Draft Interface Technical Specifications

[make sure CR process and this process are linked properly in final document]

Prior to Qwest implementing a change to an existing interface, Qwest will notify CLECs of the draft Technical Specifications. Qwest will provide draft technical specifications at least seventy-

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[2] For a CLEC converting from a prior release, the CLEC implementation date may be no earlier than the weekend after the Qwest Release Production Date if production UNE conversion is required.

[1] Throughout this document, OSS interfaces are defined as existing or new gateways, including application-to-application interfaces and Graphical User Interfaces, connection, and systems behind that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users.

[2] Throughout this document, the terms "including" and "including" mean "including, but not limited to."

three (73) calendar days prior to implementing the release unless the exception process (see Section xx) has been invoked. Technical specifications are documents that provide information the CLECs need to code the interface. CLECs have eighteen (18) calendar days from the initial publication of draft technical specifications to provide written comments/questions on the documentation.

5.1.2 Content of Draft Interface Technical Specifications

The Notification letter will contain:

- Written summary of change(s)
- Target time frame for implementation

Draft Technical Specifications documentation, or instructions on how to access the draft Technical Specifications documentation on the Web site.

5.1.3 Walk Through of Draft Interface Technical Specifications

Qwest will sponsor a walk through, including the appropriate internal subject matter experts (SMEs), beginning sixty-eight (68) calendar days prior to implementation and ending no less than fifty-eight (58) calendar days prior to implementation. A walk through will afford CLEC SMEs the opportunity to ask questions and discuss specific requirements with Qwest's technical team. CLECs are encouraged to invite their technical experts, systems architects, and designers, to attend the walk through.

5.1.3.1 Walk through Notification Content

This notification will contain:

- Purpose
- Logistical information (including a conference line)
- Reference to draft technical specifications, or reference to a web site with draft specifications
- Additional pertinent material

5.1.3.2 Conduct the Walk-through

Qwest will lead the review of technical specifications. Qwest technical experts will answer the CLEC SMEs' questions. Qwest will capture action items such as requests for further clarification. Qwest will follow-up on all action items and notify CLECs of responses 45 calendar days prior to implementation.

5.1.4 CLEC's Comments on Draft Interface Technical Specifications

If the CLEC identifies issues or requires clarification, the CLEC must send written comments to the Systems CMP Manager no less than fifty-five (55) calendar days prior to implementation.

[1] Throughout this document, OSS interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

5.1.5 Qwest Response to Comments

Qwest will review and respond with written answers to all CLEC issues, comments/concerns no less than forty-five (45) calendar days prior to implementation. The answers will be shared with all CLECs, unless the CLECs question(s) are marked proprietary. Any changes that may occur as a result of the responses will be distributed to all CLECs in the same notification letter. The notification will include the description of any change(s) made as a result of CLEC comments. The change(s) will be reflected in the final technical specifications.

5.1.6 Final Interface Technical Specifications

The notification letter resulting from the CLEC's comments from the initial Release Notification will constitute the Final Technical Specifications. After the Final Technical Specifications are published, there may be other changes made to documentation or the coding that is documented in the form of addenda. The following is a high level overview of the current disclosure, release and addendum process:

- Draft Developer Worksheets – 45 days prior to release the draft Developer Worksheets are made available to the CLECs.
- Final Disclosure – 5 weeks prior to release the Final Disclosure documents, including[1] charts and developer worksheets are made available to the CLECs.
- Release Day – On release day only those CLECs using the IMA GUI are required to cut over to the new release.
- 1st Addendum – 2 weeks after the release the 1st addendum is sent to the CLECs.
- Subsequent Addendum's – Subsequent addendum's are sent to the CLECs after the release as needed. There is no current process and timeline.
- EDI CLECs – 6 months after the release those CLECs using EDI are required to cut over to the new release. CLECs are not required to support all new releases.

5.1.7 Content of Final Notification Letter

The Final Release will include the following:

- Reference to Final Technical Specifications, or web site
- Qwest response to CLEC comments
- Summary of changes from the prior release, including any changes made as a result of CLEC comments on Draft Technical Specifications
- Indication of type of change (e.g., documentation change, business rule change, clarification change)
- Final Joint Test Plan including transactions which have changed
- Joint Testing Period
- Release date

Qwest's planned implementation date will be at least forty-five (45) calendar days from the date of the final release requirements, unless the exception process has been invoked. The implementation time line for the release will not begin until final specifications are provided.

[1] Throughout this document, GUI's or interfaces are defined as meaning a new generation handheld application to application interfaces and integrated user interfaces, representations and network functions that support or affect the per vendor unified presentation, communication and control functions for local services provided by Qwest's in-theirs and others.

[2] Throughout this document, the words "including" and "including, but" means "including, but not limited to."

Production Support type of changes that occur within the thirty (30) calendar day test window can occur without advance notification but will be posted within 24 hours of the change.

5.1.8 Joint Testing Period

Qwest will provide a thirty (30) day test window for any CLEC who desires to jointly test with Qwest prior to the Release Production Date.

5.2 Graphical User Interface (GUI)

5.2.1 Draft GUI Release Notice

Prior to implementation of a change to an existing interface, Qwest will notify CLECs of the draft release notes and the planned implementation date.

Notification will occur at least twenty-eight (28) calendar days prior to implementing the release unless an exception process has been invoked. This notification will include draft user guide information if necessary.

CLECs must provide comments/questions on the documentation no less than twenty-five (25) calendar days prior to implementation.

Final notice for the release will be published at least twenty-one (21) calendar days prior to production release date.

5.2.2 Content of Draft Interface Release Notice

The notification will contain:

- Written summary of change(s)
- Target time frame for implementation
- Any cross-reference to draft documentation such as the user guide or revised user guide pages.

5.2.3 CLEC Comments on Draft Interface Release Notice

Any CLEC comments must be submitted in writing to the Systems CMP Manager.

5.2.4 Qwest Response to Comments

Qwest will consider CLEC comments and may address them in the final GUI release notice within four (4) calendar days **after receipt of CLEC comments.**

[1] Throughout this document, OSS interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

5.2.5 Content of Final Interface release Notice

CLEC comments to the draft notice may be incorporated into the final notice, which shall include:

- Final notification letter
- Summary of changes from draft interface release notice
- Final user guide (or revised pages)
- Release date

Qwest's planned implementation date will be no later than twenty-one (21) calendar days from the date of the final release notice. Qwest will post the changes on the CMP web site. Production support type changes that occur without advance notification will be posted within 24 hours of the change. The implementation time line for the release will not begin until all related documentation is provided.

[1] Throughout this document, the terms "interface" are defined as including, at a minimum, the following application to application interfaces and graphical user interfaces, manual and electronic interfaces that support or affect the pre-ordering, ordering, provisioning, maintenance and repair and billing functionality for local services provided by Qwest to their end users.

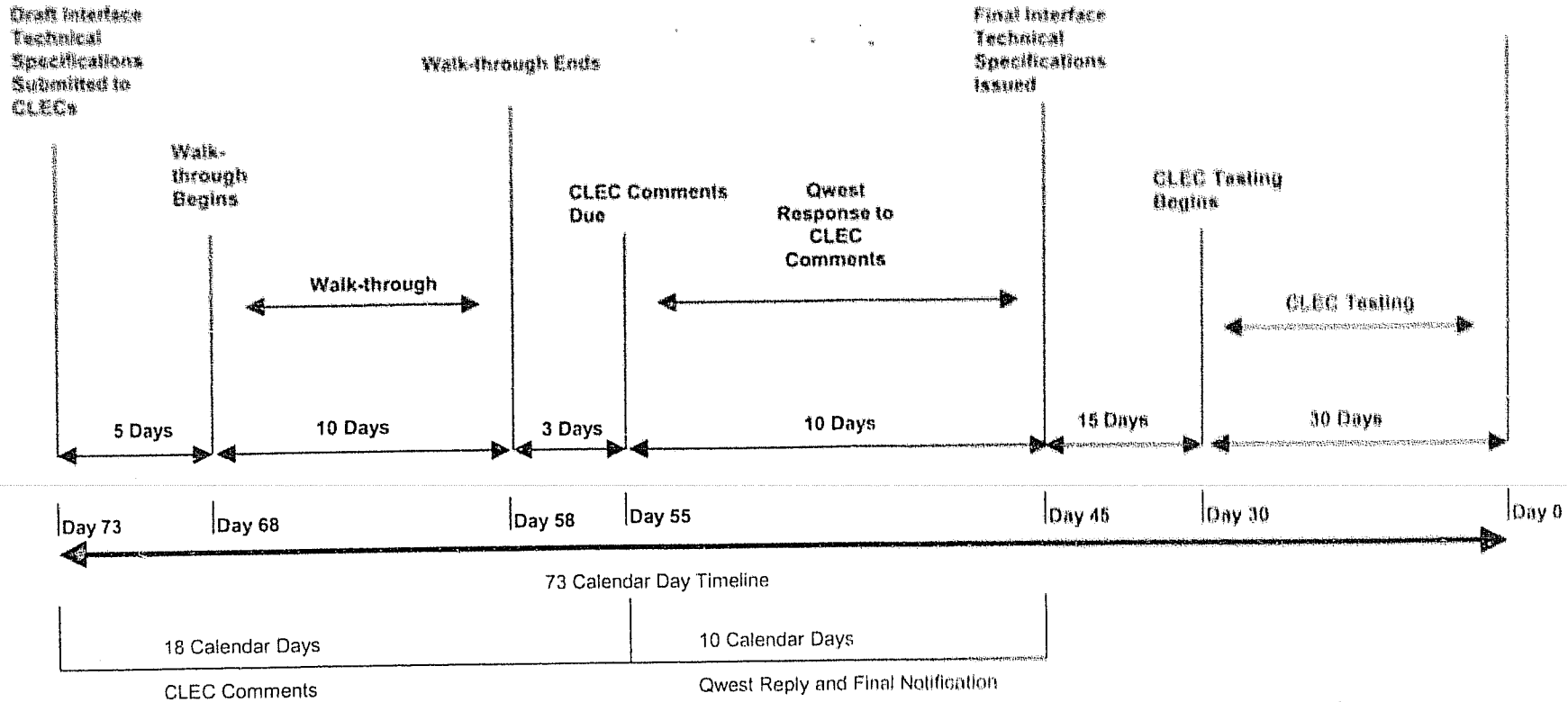
[2] Throughout this document, the terms "including" and "includes" mean "including, but not limited to."

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Qwest-CLEC Change Management Process
Changes to An Existing Application-to-Application OSS Interface
Timeline

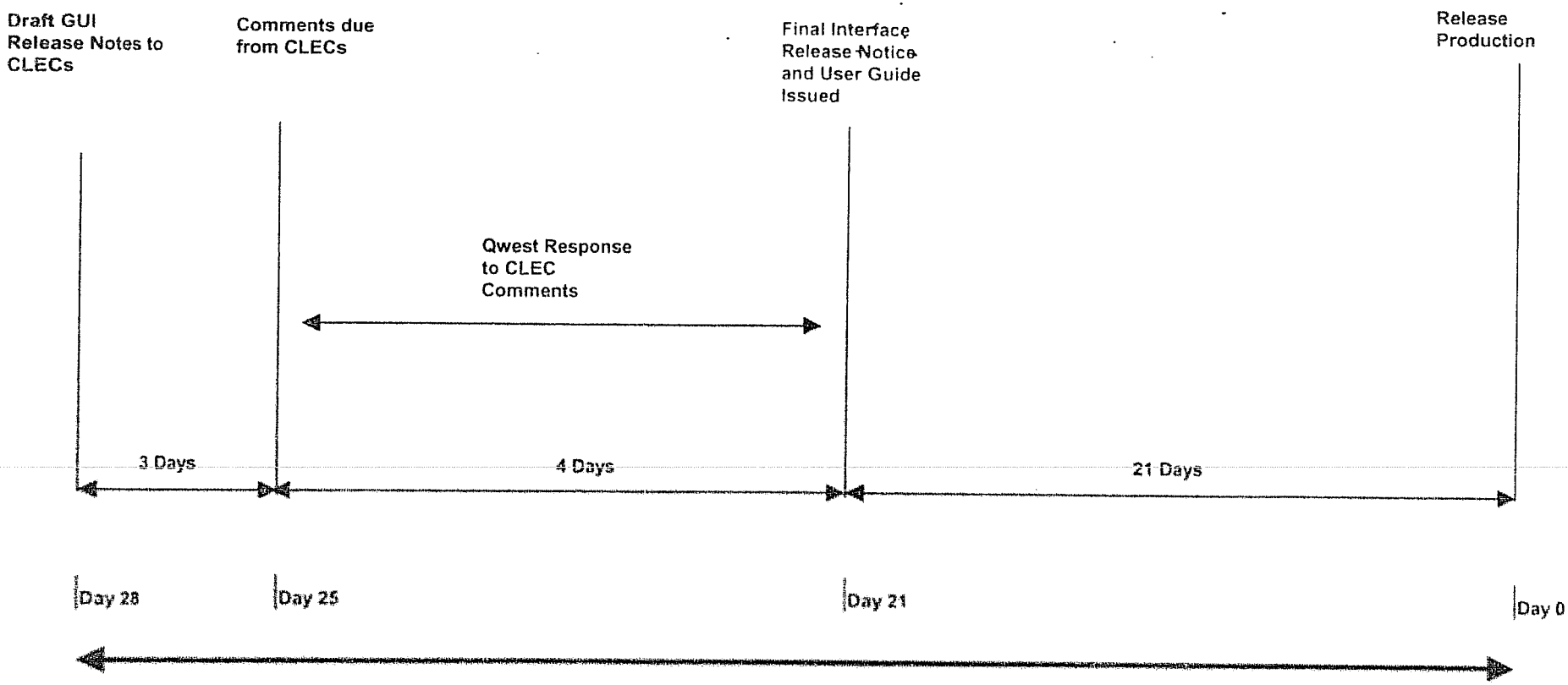


The events listed above are intended to occur on business days. If the date on which any event is scheduled to occur falls on a weekend or holiday, then Qwest and the CLECs may negotiate a revised timeline.

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

Qwest-CLEC Change Management Process
Changes to An Existing Graphic User Interface (GUI)



The events listed above are intended to occur on business days. If the date on which any event is scheduled to occur falls on a weekend or holiday, then Qwest and the CLECs may negotiate a revised timeline.

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users.

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

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6.0 RETIREMENT OF EXISTING OSS INTERFACES

The retirement of an existing OSS Interface occurs when Qwest ceases to accept transactions using a specific OSS Interface. This may include the removal of a Graphical User Interface (GUI) or a protocol transmission of information (Application-to-Application) interface.

6.1 Application-to-Application OSS Interface

6.1.1 Initial Retirement Plans

At least nine (9) months before the retirement date of Application-to-Application interfaces, Qwest will share the retirement plans via web site posting and CLEC notification. The scheduled new interface is to be in a CLEC certified production release prior to the retirement of the older interface.

Alternatively, Qwest may choose to retire an interface if there is no CLEC usage of that interface for the most recent three (3) consecutive months. Qwest will provide thirty (30) calendar day notification of the retirement via web posting and CLEC notification.

6.1.2 Initial Retirement Notice to CLECs:

Initial Retirement Notices will include:

- The rationale for retiring the OSS Interface
- Available alternative interface options for existing functionality
- The proposed detailed retirement time line (e.g., milestone dates, CLEC-Qwest comment and response cycle)
- Targeted retirement date

6.1.3 CLEC Comments to Initial Retirement Notice

CLEC comments to the Initial Retirement Notice are due to Qwest no later than fifteen (15) calendar days following the Initial Retirement Notice.

6.1.4 Comparable Functionality

Unless otherwise agreed to by Qwest and a CLEC user, when Qwest announces the retirement of an interface for which a comparable interface does or will exist, a CLEC user will not be permitted to commence building to the retiring interface. CLEC users of the retiring interface will be grandfathered until the retirement of the interface. Qwest will ensure that an interface with comparable functionality is available no less than six months prior to retirement of an Application-to-Application interface.

[1] Throughout this document, OSS interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

6.1.5 Final Retirement Notice

The Final Retirement Notice will be provided to CLECs no later than two-hundred and twenty-eight (228) calendar days prior to the retirement of the application-to-application interface. The Final Retirement Notice will contain:

- The rationale for retiring the OSS Interface (e.g., no usage or replacement)
- If applicable, where the replacement functionality will reside in a new interface and when the new interface has been certified by a CLEC
- Qwest's responses to CLECs' comments/concerns
- Actual retirement date

6.2 Graphical User Interface (GUI)

6.2.1 Initial Retirement Plans

At least two (2) months in advance of the target retirement date of a GUI, Qwest will share the retirement plans via web site posting and CLEC notification. The scheduled new interface is to be in a CLEC certified production release prior to the retirement of the older interface.

Alternatively, Qwest may choose to retire an interface if there is no CLEC usage of that interface for the most recent three (3) consecutive months. Qwest will provide thirty (30) calendar day notification of the retirement via web posting and CLEC notification.

6.2.2 Initial Retirement Notice to CLECs:

Initial Retirement Notices will include:

- The rationale for retiring the OSS Interface
- Available alternative interface options for existing functionality
- The proposed detailed retirement time line (e.g., milestone dates, CLEC-Qwest comment and response cycle)
- Targeted retirement date

6.2.3 CLEC Comments to Initial Retirement Notice

CLEC comments to the Initial Retirement Notice are due to Qwest no later than fifteen (15) calendar days following the Initial Retirement Notice.

6.2.4 Comparable Functionality

Qwest will ensure comparable functionality no less than thirty-one (31) days before retirement of a GUI.

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

6.2.5 Final Retirement Notice

The Final Retirement Notice will be provided to CLECs no later than twenty-one (21) calendar days following the initial retirement notice for GUI retirements. The Final Retirement Notice will contain:

- The rationale for retiring the OSS Interface (e.g., no usage or replacement)
- If applicable, where the replacement functionality will reside in a new interface and when the new interface has been certified by a CLEC
- Qwest's responses to CLECs' comments/concerns
- Actual retirement date

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

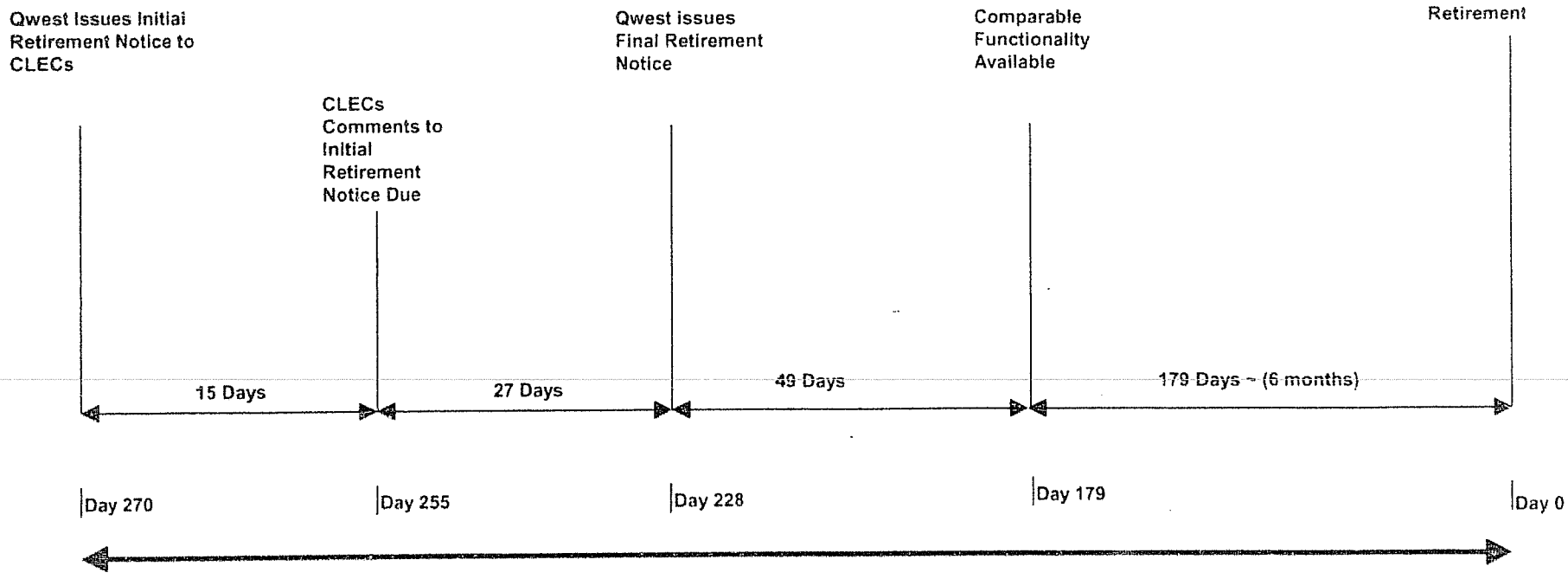
[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

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Qwest-CLEC Change Management Process
Retirement of An Existing Application-to-Application OSS Interface

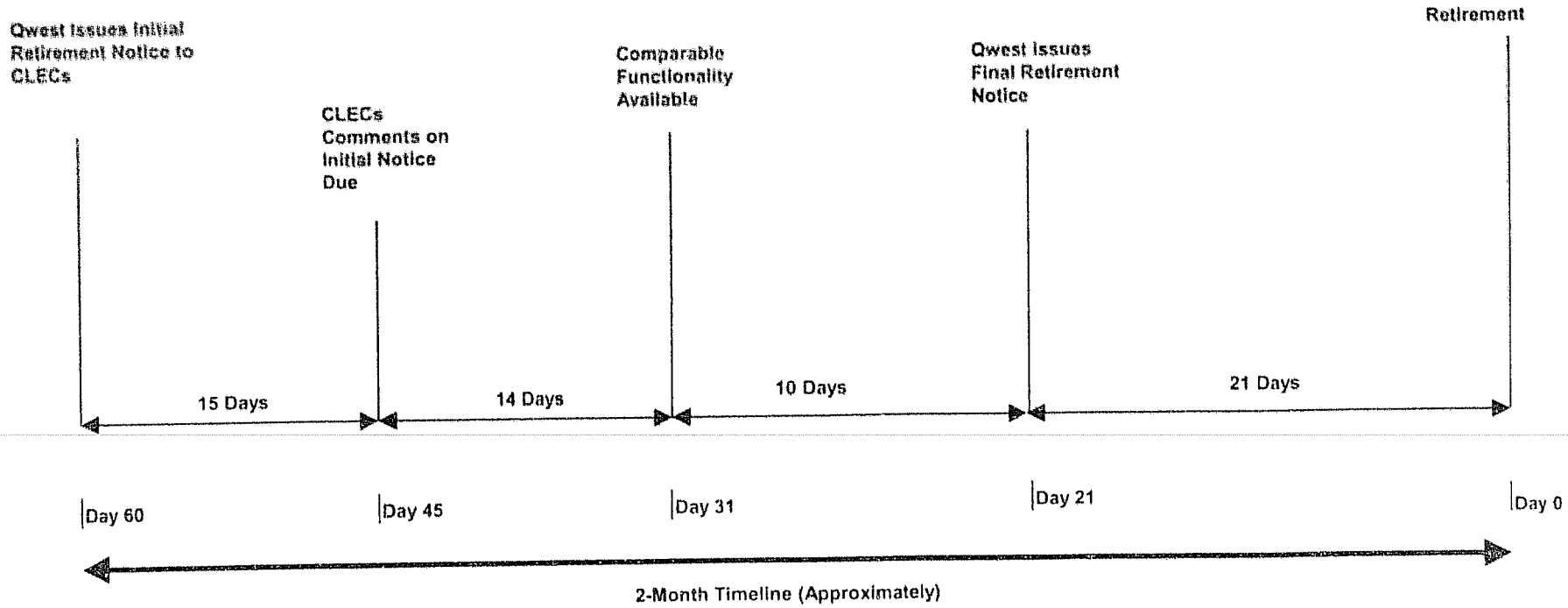


The events listed above are intended to occur on business days. If the date on which any event is scheduled to occur falls on a weekend or holiday, then Qwest and the CLECs may negotiate a revised timeline.

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users.

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

Qwest-CLEC Change Management Process
Retirement of An Existing Graphic User Interface
Timeline



The events listed above are intended to occur on business days. If the date on which any event is scheduled to occur falls on a weekend or holiday, then Qwest and the CLECs may negotiate a revised timeline.

[1] Throughout this document, OSS Interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

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7.0 MANAGING THE CHANGE MANAGEMENT PROCESS

7.1 Change Management POC

Qwest and each CLEC will designate primary and secondary change management POC(s) who will serve as the official designees for matters regarding this CMP. The primary POC is the official voting member, and a secondary (alternate) POC can vote in the absence of the primary POC for each CLEC.CLECs and Qwest will exchange POC information including items such as:

- Name
- Title
- Company
- Telephone number
- E-mail address
- Fax number
- Cell phone/Pager number

7.2 Change Management POC List

Primary and secondary CLEC POCs should be included in the Qwest maintained distribution list. It is the CLECs responsibility to notify Qwest of any POC changes. The list will be made available to all participating CLECs with the permission of the POCs.

7.3 Preferred Method of Communication

The preferred method of communication is e-mail with supporting information posted to the web site.

7.4 Governing Body

The change management organizational structure must support the CMP. Each position within the organization has defined roles and responsibilities as outlined below.

CMP Team: Representatives are from the CLECs (or their authorized agents) and Qwest. This team meets monthly to review, prioritize, and make recommendations for change management requests. The change management requests are used as input to internal change management processes.

CMP Steering Committee: The CMP Steering Committee consists of representatives from the CLECs and Qwest who will be responsible for managing compliance to the CMP document. The responsibilities of the CMP Steering Committee are:

- *On-going commitment*
- *Participation in change management meetings/conference calls*
- *Reviewing changes/suggestions to the CMP document for submittal to OBF*
- *Process improvements*

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- *Managing meeting schedule/logistics*

A standing agenda item at the regular change management meetings will provide an opportunity for Qwest and CLECs to assess the effectiveness of the CMP. Both the CLECs and Qwest will use this opportunity to provide feedback of instances of non-compliance and commit to taking appropriate action(s).

Provider POC: Qwest POC is responsible for managing the CMP. Qwest POC will be responsible for maintaining the integrity of the change requests, preparing for and facilitating review meetings, presenting change requests to Qwest's internal CMP, and ensuring that all notifications are communicated to the appropriate parties.

CLEC POC: The CLEC POC will serve as the official designee for all matters regarding CMP, including:

- *Submission of CLEC change request forms*
- *Notification of critical matters, such as Type 1 errors*

Release Management Team: A team of CLEC and provider representatives who manage the implementation of scheduled releases.

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8.0 MEETINGS

Change Management meetings will be conducted on a regularly scheduled basis, at least on a monthly basis. Meeting participants can choose to attend meetings in person or participate by conference call.

Meetings are held to review, prioritize, manage the implementation of process and system changes and address change management requests. Qwest will review the status of all applicable change requests. The meeting may also include discussions of Qwest's development view.

CLEC's request for additional agenda items and associated materials should be submitted to Qwest at least five (5) business days by noon (MST) in advance of the meeting. Qwest is responsible for distributing the agenda and associated meeting materials at least three (3) business days by noon (MST) in advance of the meeting. Qwest will be responsible for preparing, maintaining, and distributing meeting minutes. Attendees with any walk-on items should bring materials of the walk-on items to the meeting.

All attendees, whether in person or by phone, must identify themselves and the company they represent.

Additional meetings may be held at the request of Qwest or any qualified CLEC (as defined in this document). Meeting notification must contain an agenda plus any supporting meeting materials. These meetings should be announced at least five (5) business days prior to their occurrence. Exceptions may be made for emergency situations.

8.1 Meeting Materials [Distribution Package] for Change Management Meeting

Meeting materials should include the following information:

- Meeting Logistics
- Minutes from previous meeting
- Agenda
- Change Requests and responses
  - New/Active
  - Updated
  - Log
- Issues, Action Items Log and associated statuses
- Release Summary12 Month Development View
- Monthly System Outage Report
- Any other material to be discussed

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Qwest will provide Meeting Materials (Distribution Package) electronically by noon 3 business days prior to the Monthly CMP Meeting. In addition, Qwest will provide hard copies of the Distribution Package at the Monthly CMP Meeting.

8.2 Meeting Minutes for Change Management Meeting

Qwest will take minutes. Qwest will summarize discussions in meeting minutes and include any revised documents such as Issues, Action items and statuses.

Minutes should be distributed to meeting participants for comments or revisions no later than five (5) business days by noon (MST) after the meeting. CLEC comments should be provided within two (2) business days by noon (MST). Revised minutes, if CLEC comments are received, should be distributed within nine (9) business days by noon (MST) after the meeting.

8.3 Qwest Wholesale CMP Web Site

To facilitate access to CMP documentation, Qwest will maintain CMP information on its web site. The web site should be easy to use and updated in a timely manner. The Web site should be a well organized central repository for CLEC notifications and CMP documentation. Active documentation including meeting materials (Distribution Package), should be maintained on the website. Change Requests and release notifications should be identified in accordance with the agreed upon naming convention, to facilitate ease of identification. [action item #] Qwest will maintain closed and old versions of documents on the web site's Archive page for 18 months before storing off line. Information that has been removed from the web site can be obtained by contacting the appropriate Qwest CMP Manager. At a minimum, the CMP web site will include:

- Current version of Qwest CMP document describing CMP's purpose and scope of setting forth the CMP objectives, procedures, and timelines, including release life cycles.
- Calendar of release dates
- OSS hours of availability
- Links to related web sites, such as IMA EDI, IMA GUI, CEMR, and Notices
- Current CMP escalation process
- CMP prioritization process description and guidelines
- Change Request form and instructions to complete form
- Submitted and open Change Requests and the status of each
- Responses to Change Requests and written responses to CLEC inquiries
- Meeting (formal and informal) information for CMP monthly meetings and interim meetings or conference calls, including descriptions of meetings and participants, agendas, sign-up forms, and schedules
- A log of CLEC and Qwest change requests and associated statuses
- Meeting materials (distribution package)
- Meeting minutes
- Release announcements and other CLEC notifications and associated requirements
- Directory to CLEC notifications for the month

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- Business rules, SATE test case scenarios technical specifications, and user guides will be provided via links on the CMP web site.
- Contact information for the CMP POC list, including CLEC, Qwest and other participants (with participant consent to publish contact information on web page).

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9.0 PRIORITIZATION

Each OSS Interface and Test Environment release is prioritized separately. If the Systems CMP Change Requests for any interface or test environment do not exceed release capacity, no prioritization for that release is required. The prioritization process provides an opportunity for CLECs to prioritize CLEC and Qwest originated OSS Interface change requests (CRs). CLEC or Qwest originated CRs for introduction of a new interface or retirement of an existing interface are not subject to prioritization and will follow the introduction or retirement processes outlined in Sections 4.0 and 6.0, respectively.

9.1 Regulatory and Industry Guideline Change Requests

Regulatory and Industry Guideline changes, are defined in Section 2.0. , Separate procedures are required for prioritization of CRs requesting Regulatory and Industry Guideline changes to ensure that Qwest can comply with the recommended or required implementation date, if any. The process for determining whether a CR is Regulatory Change or Industry guideline is set forth in section 3.1.

Qwest will send CLECs a notice when it posts Regulatory or Industry Guideline CRs to the Web and identify when comments are due, as described in Section 3.1. Regulatory and Industry Guideline CRs will also be identified in the CMP Systems Monthly Meeting Distribution Package.

9.1.1 Regulatory Changes

For Regulatory Changes, Qwest will implement changes no later than the time specified in the legislation, regulatory requirement, court ruling, or PAP. If no time is specified, Qwest will implement the change as soon as practicable. For Regulatory changes arising from a PAP, Qwest will implement changes no later than the date on which the applicable standard becomes effective (Highlighted text indicates impasse issue).

Regulatory CRs will be ranked with all other CRs. If the implementation date for a Regulatory CR requires all or a part of the change to be included in the upcoming Major Release, the CR will not be subject to ranking and will be automatically included in that Major Release.

9.1.2 Industry Guideline Changes

For Industry Guideline changes, Qwest will use the national implementation timeline, if any. If no national implementation timeline is specified, Qwest will implement any related changes as soon as practicable, taking into account the benefit of the guideline change and CLEC input regarding the implementation timeline.

Industry Guideline CRs will be ranked with all other CRs. If the recommended implementation date for a Industry Guideline CR requires all or a part of the change to be included in the

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upcoming Major Release, the CR will not be subject to ranking and will be automatically included in that Major Release, unless Qwest and CLECs unanimously agree otherwise.

9.1.3 Regulatory and Industry Guideline Change Implementation

When more than one Major Release is scheduled before the mandated or recommended implementation date for a Regulatory or Industry Guideline CR, Qwest will present information to CLECs regarding any technical, practical, or development cycle considerations, as part of the CR review and up to the packaging options, that may affect Qwest's ability to implement the CR in any particular Major Release. At the monthly CMP meeting where the Regulatory or Industry Guideline CR is presented, Qwest will advise CLECs of the possible scheduled releases in which Qwest could implement the CR and the CLECs and Qwest will determine how to allocate those CRs among the available Major Releases, taking into account the information provided by Qwest regarding technical, practical, and/or development considerations. If the Regulatory or Industry Guideline CR is not included in a prior release, it will be implemented in the latest release specified by Qwest.

9.2 Prioritization Process

9.2.1 Prioritization Review

At the last Monthly Systems CMP Meeting before Prioritization, Qwest will facilitate a Prioritization Review including a discussion for all CRs eligible[3] [define in terms #248] for prioritization in a major release. Qwest will distribute all materials five (5) calendar days prior to the prioritization review. The materials will include:

- Agenda
- Summary document of all CR candidates eligible for prioritization. (see Appendix A - Sample – IMA 10.0 Candidates for Prioritization List)

Both CLECs and Qwest should have appropriate subject matter experts in attendance at the Prioritization Review. The review and discussion meetings are open to all CLECs.

The Prioritization Review objectives are to:

- Introduce newly initiated CLEC and Qwest OSS Interface and test environment change requests.
- Allow CLECs and Qwest to prioritize eligible OSS Interface or test environment change requests by providing specific input as to the relative importance that CLECs, as a group, and Qwest assign to each such change request.

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[3] *Eligible CR's are Qwest and CLEC initiated CR's as defined in Section X . [AT&T Comment: this will change depending on how we resolve regulatory and industry guideline changes]*

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9.2.2 Ranking

Within three (3) business days following the CMP Meeting that includes the Prioritization Review, Qwest will distribute the Prioritization Form for ranking. Ranking should be conducted according to the following guidelines:

- Each CLEC and Qwest may submit one numbered ranking of the Release Candidate List. The ranking must be submitted by the primary Point of Contact (POC, the secondary POC, or CMP Team Representative. The ranking will be submitted to the Qwest Systems CMP Manager in accordance with the guidelines described in Section 9.1.3 below. Refer to Sample – IMA 11.0 Prioritization List
- Qwest and each CLEC ranks each change request on the Release Candidate List by providing a point value from 1 through n, where n is the total quantity of CRs. The highest point value should be assigned to the CR that Qwest and CLECs wish to be implemented first. The total points will be calculated by the Qwest Systems CMP Manager and the results will be distributed to the CLECs in accordance with the Prioritization Process described in Section 9.1.3below. Refer to Sample – IMA 11.0 Initial Prioritization Form.

9.2.3 Ranking Tabulation

CLECs and Qwest who choose to vote must submit their completed Prioritization Form via e-mail within three (3) business days following Qwest's distribution of the Prioritization Form. Within two (2) business days following the submission of ranking, Qwest will tabulate all rankings and e-mail the resulting Initial Prioritization List to the CLECs. The results will be announced at the next scheduled CMP Monthly Meeting. Prioritization is based on the results of the votes received by the deadline. Based on the outcome of the final ranking of the CR candidates, an Initial Prioritization List is produced. Qwest will place in order the candidates based on the ranking responses received by the deadline.

9.3 Special Change Request Process (SCRP)

In the event that a Systems CR is not ranked high enough in prioritization for inclusion in the next Release, the CR originator may elect to invoke the CMP Special Change Request Process (SCRP) as described in this section. The SCRP does not supercede the process defined in Section 3.0 (Change Request Initiation Process).

To invoke the SCRP, the CR originator must send an e-mail to the Qwest CMP SCRP mailbox (URL TBD). The subject line of the e-mail message must include:

- "SCRP REQUEST"
- CR originator's company name
- CR number and title

The text of the e-mail message must include a description of the CR, CR originator's name, phone number, and e-mail address, and the circumstances which have necessitated the invocation of the SCRP.

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Qwest will acknowledge receipt of the complete SCRP e-mail with a confirmation e-mail no later than two (2) business days following receipt of the SCRP e-mail. If the SCRP e-mail does not contain the required information, Qwest will notify the originator within two (2) business days following receipt of the SCRP e-mail requesting information not included in the original SCRP e-mail. When the SCRP e-mail is complete, the confirmation e-mail will include:

- Date and time of receipt of complete SCRP e-mail
- Date and time of confirmation e-mail
- SCRP title and number
- The name, telephone number and e-mail of the Qwest contact assigned to process the SCRP

Within ten (10) business days after the confirmation e-mail, Qwest will schedule and hold a meeting to work with the SCRP Originator to prepare the SCRP form.

[Additional input to consider] SCRP may be invoked prior to prioritization. Analysis on the cost would be done for a fee. CLEC may decide to invoke SCRP process up to 5 days after prioritization results are posted. If the estimate increases, Qwest will communicate the cost increase. If the CLEC chooses to cancel the request during the process, the CLEC will pay all costs incurred by Qwest up to that point.

This form shall be accompanied by the non-refundable Processing Fee specified in Attachment X. The form will request, and the originator will need to provide the following information as well as any additional information that may be helpful in describing and analyzing SCRP originator's request:

- [Information TBD]

As soon as feasible, but in any case within (x) business days after receipt of a completed SCRP form, Qwest will provide the SCRP originator with a SCRP quote. The SCRP quote will, at a minimum, include the following information:

- A description of the work to be performed
- Development costs
- Targeted release
- [Additional elements TBD]Qwest agrees with AT&T Comments

The SCRP originator has (x) business days, upon receipt of the SCRP quote, to either agree to purchase under the quoted price or cancel its SCRP.

Once development work has begun, if at any time the SCRP originator decides to cancel the SCRP, the SCRP originator will pay Qwest's reasonable development costs incurred in providing the requested functionality.

All time intervals within which a response is required from one Party to another under this Section are maximum time intervals. Each Party agrees that it will provide all responses in

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writing to the other Party as soon as the Party has the information and analysis required to respond, even if the time interval stated herein for a response is not over.

The foregoing process applies to Qwest and CLEC originated CRs. In the event a Qwest CR is submitted through this process, Qwest agrees that it will not divert IT resources available to work on the systems CRs for the next Release to support Qwest's SCRP request. Like CLECs, Qwest will have to apply separate, additional resources to CR it seeks to implement through the SCRP.

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CONTINUATION

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Scan ~ _____ ~ # Pages [___]

Sample - IMA 11.0 Initial Prioritization List

RANK	TOTAL POINT VALUE	CR Number	Title	Company	Interface	Products Impacted	Shirt Size	Est LOE Min	Est LOE Max	Original
1	251	SCR013102-15	LSOG 6 - Upgrade Field Numbering and Naming to Existing Qwest Forms & EDI Maps **(FOUNDATION CANDIDATE) (NOTE: Per February CMP Meeting Discussion, this CR should be ranked higher than all other LSOG 6 Change Requests)**	Qwest	IMA Common	All Products	Extra Large	5501	8000	
2	231	SCR013002-8	Flowthrough on Sup 2 Category Due Date	Qwest	IMA Common	All Products except Designed Products	Large	3001	5500	
3	227	SCR101901-1	Allow customers to move and change local service providers at the same time. **(NOTE: Per February CMP Meeting Discussion, this CR should be ranked higher than #26)**	Eschelon	IMA Common	Centrex Resale, UNE-P	Extra Large	5500	8000	
4	214	31766	Reject Duplicate LSRs	Qwest	IMA Common	All Products	Medium	751	3000	
5	211	SCR013002-3	IMA Pre-Order - Use CCNA to retrieve a Design Layout Report (DLR)	Qwest	IMA Common		Medium	751	3000	

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Sample - IMA 11.0 Initial Prioritization Form

Ambiguous Comment Number (Leave Blank if Unambiguous)	#	CR Number	Title	Company	Interface	Products Impacted	Team Size	Est LOE Min	Est LOE Max
	1	SCR	Unbundled DS3/DS1 Trunk Port Facility move from LS to FS	Qwest	IMA Common	Unbundled Dedicated Trunk Port	Medium	751	3000
	2	SCR011	DSL Prework(pre - Pre-ordering)	Qwest	IMA Common	DSL	Large	3001	5500
	3	SCR	Shared Loop Enhancements	Qwest	IMA Common	Shared Loop	Medium	751	3000
	4	SCR2	Add New UNE-P POI to IMA	Qwest	IMA Common	UNE-P POI	Large	3001	5500
	5	SCR	Wholesale Local Exchange Pages Based on CLLIs	Qwest	IMA Common	All	Large	3001	5500
	6	SCR	Report Duplicate LSRs	Qwest	IMA Common	All Products	Medium	751	3000
	7	SCR0911	Add an online glossary of the field title abbreviations to help users of IMA GUI	Qwest	IMA GUI	All Products	Medium	751	3000
	8	SCR3076	Create a separate field for line numbers in EDI responses	Centurytel	IMA EDI		Large	3001	5500
	9	SCR	Add OCn capable loop LSR to IMA	KMI	IMA Common	DS1, DS3 & OCn Loop Orders	Large	3001	5500
	10	SCR0907	CLECs require availability to view completed LSR information in IMA GUI	Verizon	IMA GUI	Resale	Large	3001	5500
	11	SCR576	Ability to send dual CFA information on an LSR for HDSL orders	WorldCom	IMA Common	HDSL	Small	201	750
	12	SCR010902-1	Limited IMA GUI Access for Pre-Order Transactions Only	McLeodUSA	IMA GUI	All	Medium	751	3000
	13	SCR012202-1	Incorrect Consolidation of DR5 USOC in IMA	Qwest	IMA Common	ISDN PRI	Medium	751	3000
	14	SCR013002-3	IMA Pre-Order - Use CCNA to retrieve a Design Layout Report (DLR)	Qwest	IMA Common		Medium	751	3000
	15	SCR013002-4	Revision of TOS field in IMA	Qwest	IMA GUI	UNE-P, Resale	Medium	751	3000
	16	SCR013002-5	PIC Freeze Documentation	Qwest	IMA Common	Resale, UNE	Medium	751	3000

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CONTINUATION

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10.0 APPLICATION-TO-APPLICATION INTERFACE TESTING

If CLEC is using an application-to-application interface, CLEC must work with Qwest to certify the business scenarios that CLEC will be using in order to ensure successful transaction processing in production. If multiple CLECs are using a service bureau provider, the service bureau provider need only be certified for the first participating CLEC; subsequent CLECs using the service bureau provider need not be certified. Qwest and CLEC shall mutually agree to the business scenarios for which CLEC requires certification. Certification will be granted for the specified release of the application-to-application interface. If CLEC is certifying multiple products or services, CLEC has the option of certifying those products or services serially or in parallel if technically feasible.

New releases of the application-to-application interface may require re-certification of some or all business scenarios. A determination as to the need for re-certification will be made by the Qwest coordinator in conjunction with the release manager of each release. Notice of the need for re-certification will be provided to CLEC as the new release is implemented. The suite of re-certification test scenarios will be provided to CLEC with the initial and final Technical Specifications. If CLEC is certifying multiple products or services, CLEC has the option of certifying those products or services serially or in parallel, if technically feasible. If multiple CLECs are using a service bureau provider, the service bureau provider need only be re-certified for the first participating CLEC; subsequent CLECs using the service bureau provider need not be re-certified.

Qwest provides a separate Customer Test Environment (CTE) for the testing of transaction based application-to-application interfaces for pre-order, order, and maintenance/repair. The CTE will be developed for each major release and updated for each point release that has changes that were disclosed but not implemented as part of the major release. Qwest will provide test files for batch/file interfaces (e.g. billing). The CTE for Pre-order and Order currently includes:

- Stand Alone Test Environment (SATE)
- Interoperability Testing
- Controlled Production Testing

The CTE for Maintenance and Repair currently includes:

- CMP Interface Test Environment (MEDIACC)

Qwest provides initial implementation testing (intended for those CLECs that are not currently in production or that want to test new ordering or pre-ordering transactions for which they have not been through testing – move to Terms), and migration testing (from one version to the next) for all types of OSS interface change requests. Controlled Production Testing is also provided for Pre-Order and Order. Such testing provides the opportunity to test the code associated with these OSS interface exchange requests. The CTE will also provide the opportunity for regression testing of OSS interface functionality.

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10.1 Testing Process

Qwest will send an industry notification, including testing schedules (see Section 5.0 – Changes to Existing OSS Interfaces), to CLECs so they may determine their intent to participate in the test. CLECs wishing to test with Qwest must participate in at least one joint planning session and determine:

- Connectivity (required)
- Firewall and Protocol Testing (required)
- Controlled Production (required)
- Production Turn-up (required)
- Test Schedule (required)

A joint CLEC-Qwest test plan may also include some or all of the following based on type of testing requested:

- Requirements Review
- Test Data Development
- Progression Testing Phase

Qwest will communicate any agreed upon changes to the test schedule. CLECs are responsible for establishing and maintaining connectivity to the CTE.

Provided a CLEC uses the same software components and similar connectivity configuration as it uses in production, the CLEC should, in general, experience response times similar to production. However, this environment is not intended for volume testing. The CTE contains the appropriate applications for pre-ordering and Local Service Request (LSR) ordering up to but not including the service order processor. Qwest intends to include the service order processor as part of the SATE component of the CTE by the end of 2002. Production code problems identified in the test environment will be resolved by using the Production Support process as outlined in Section 11.0.

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11.0 PRODUCTION SUPPORT

11.1 Notification of Planned Outages

Planned Outages are reserved times for scheduled maintenance to Operations Support Systems (OSS). Qwest sends associated Notifications to all CLECs. Planned Outage Notifications must include:

- Identification of the subject OSS.
- Description of the scheduled OSS maintenance activity.
- Impact to the CLECs (e.g. geographic area, products affected, system implications, and business implications).
- Scheduled date and scheduled start and stop times.
- Work around, if applicable.
- Qwest contact for more information on the scheduled OSS maintenance activity.

Planned Outage Notifications will be sent to CLECs and appropriate Qwest personnel within 2 days of the scheduling of the OSS maintenance activity.

11.2 Newly Deployed OSS Interface Release

Following the release production date of an OSS Interface change, Qwest will use production procedures for maintenance of software as outlined below. Problems encountered by the CLEC should be reported to the IT Wholesale Systems Help Desk (IT Help Desk). Qwest will monitor, track, and address troubles reported by CLECs or identified by Qwest, as set forth in Section 11.X. Problems reported will be known as IT Trouble Tickets. A week after the deployment of an IMA Release into production, Qwest will host a conference call with the CLECs to review any identified problems and answer any questions pertaining to the newly deployed software. Qwest will follow CMP process for documenting the meeting (includes issues/action items and status/solution). Issues will be addressed with specific CLECs and results/status will be reviewed at the next Monthly OSS CMP Meeting.

11.3 Request for a Production Support Change

The IT Help Desk supports Competitive Local Exchange Carriers who have questions regarding connectivity, outputs, and system outages. The IT Help Desk serves as the first point of contact for reporting trouble. If the IT Help Desk is unable to assist the CLEC, it will refer information to the proper subject matter expert, also known as Tier 2 or Tier 3 support, who may call the CLEC directly. Often, however, an IT Help Desk representative will contact the CLEC to provide information or to confirm resolution of the trouble ticket.

Qwest will assign each CLEC-generated and Qwest-generated IT Trouble ticket a Severity Level 1 to 4, as defined in Section 11.X. Severity 1 and Severity 2 IT trouble tickets will be implemented immediately by means of an emergency release of process, software or documentation (known as a patch). If Qwest and CLEC deem implementation is not timely, and

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a work around exists or can be developed, Qwest will implement the work around in the interim. Severity 3 and Severity 4 IT trouble tickets may be implemented when appropriate taking into consideration upcoming patches, major releases and point releases and any synergies that exist with work being done in the upcoming patches, major releases and point releases.

The first time a trouble is reported by Qwest or CLEC, the Qwest IT Help Desk will assign a IT Trouble Ticket tracking number, which will be communicated to the CLEC at the time the CLEC reports the trouble. The affected CLEC(s) and Qwest will attempt to reach consensus on resolution of the problem and closing the IT Trouble Ticket. If no consensus is reached, any party may use the Technical Escalation Process. When the IT Trouble Ticket has been closed, Qwest will notify CLECs with one of the following disposition codes:

- No Trouble Found – to be used when Qwest investigation indicates that no trouble exists in Qwest systems
- Trouble to be Resolved in Patch – to be used when the IT Trouble Ticket will be resolved in a patch. Qwest will provide a date for implementation of the patch. This is typically applied to Severity 1 and Severity 2 troubles, although Severity 3 and Severity 4 troubles may be resolved in a patch where synergies exist.
- CLEC Should Submit CMP CR – to be used when Qwest's investigation indicates that the System is working pursuant to the Technical Specifications (unless the Technical Specifications are incorrect), and that the IT Trouble Ticket is requesting a systems change that should be submitted as a CMP CR.
- Date TBD – to be used when the IT Trouble Ticket is not scheduled to be resolved in a patch or change, but Qwest may resolve in a patch, release, or otherwise, if possible where synergies exist. This disposition is applied to Severity 3 and Severity 4 troubles.

Qwest will track "Date TBD" trouble tickets and report status and resolution of these trouble tickets and associated systems work on its CMP website. The status of these trouble tickets will be regularly discussed in CMP meetings.

For "Date TBD" trouble tickets, either Qwest or a CLEC may initiate the Change Request to correct the problem. (See Section 3.0 for CR Initiation.) If the initiating party knows that the CR relates to a trouble ticket, it will identify the trouble ticket number on the CR.

Instances where Qwest or CLECs misinterpret Technical Specifications and/or business rules must be addressed on a case-by-case basis. All parties will take all reasonable steps to ensure that any disagreements regarding the interpretation of a new or modified OSS Interface are identified and resolved during the change management review of the change request.

11.4 Reporting Trouble to IT

Qwest will open a trouble ticket at the time the trouble is first reported by CLEC or detected by Qwest. The IT Help Desk representative will communicate the ticket number to the CLEC at the time the CLEC reports the trouble.

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If a ticket has been opened, and subsequent to the ticket creation, CLECs call in on the same problem, and the IT Help Desk recognizes that it is the same problem, a new ticket is not created. The IT Help Desk documents each subsequent call in the primary ticket.

If one or more CLECs call in on the same problem, but it is not recognized as the same problem, one or more tickets may be created. When the problem is recognized as the same, one of the tickets becomes the primary ticket, and the other tickets are linked to the primary ticket. When the problem is closed, the primary and all related tickets will be closed.

11.5 Severity Levels

Severity level is a means of assessing and documenting the impact of the loss of functionality to CLEC(s) and impact to the CLEC's business. The severity level gives restoration or repair priority to problems causing the greatest impact to CLEC(s) or its business.

Guidelines for determining severity levels are listed below. Severity level may be determined by one or more of the listed bullet items under each Severity Level (the list is not exhaustive). Examples of some trouble ticket situations follow. Please keep in mind these are guidelines, and each situation is unique. The IT Help Desk representative, based on discussion with the CLEC, will make the determination of the severity level and will communicate the severity level to the CLEC at the time the CLEC reports the trouble. If the CLEC disagrees with the severity level assigned by the IT Help Desk personnel, the CLEC may escalate using the Technical Escalation Process. (See section X)

Severity 1: Critical Impact

- Critical.
- High visibility.
- A large number of orders or CLECs are affected.
- A single CLEC cannot submit its business transactions.
- Affects online commitment.
- Production or cycle stopped – priority batch commitment missed.
- Major impact on revenue.
- Major component not available for use.
- Many and/or major files lost.
- Major loss of functionality.
- Problem can not be bypassed.
- No viable or productive work around available.

Examples:

- Major network backbone outage without redundancy.
- Environmental problems causing multiple system failures.
- Large number of service or other work order commitments missed.
- A software defect in an edit which prevents any orders from being submitted.

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Severity 2: Serious Impact

* Serious.
* Moderate visibility.
* Moderate to large number of CLECs, or orders affected.
* Potentially affects online commitment.
* Serious slow response times.
* Serious loss of functionality.
* Potentially affects production – potential miss of priority batch commitment.
* Moderate impact on revenue.
* Limited use of product or component.
* Component continues to fail. Intermittently down for short periods, but repetitive.
* Few or small files lost.
* Problems may have a possible bypass; the bypass must be acceptable to CLECs.
* Major access down, but a partial backup exists.

Examples:

* A single company, large number of orders impacted
* Frequent intermittent logoffs.
* Service and/or other work order commitments delayed or missed.

Severity 3: Moderate Impact

* Low to medium visibility.
* Low CLEC, or low order impact.
* Low impact on revenue.
* Limited use of product or component.
* Single CLEC device affected.
* Minimal loss of functionality.
* Problem may be bypassed; redundancy in place. Bypass must be acceptable to CLECs.
* Automated workaround in place and known. Workaround must be acceptable to CLECs.

Example:

* Hardware errors, no impact yet.

Severity 4: Minimal Impact

* Low or no visibility.
* No direct impact on CLEC.
* Few functions impaired.
* Problem can be bypassed. Bypass must be acceptable to CLECs.
* System resource low; no impact yet.
* Preventative maintenance request.

Examples:

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- Misleading, unclear system messages causing confusion for users.
- Device or software regularly has to be reset, but continues to work.

11.6 Status Notification for IT Trouble Tickets

There are two types of status notifications for IT Trouble Tickets:

- Ticket Notifications: for tickets that relate to only one reporting CLEC
- Event Notifications: for tickets that relate to more than one CLEC
- Event Notifications are sent by Qwest to all CLECs who subscribe to the IT Help Desk as described in Process X. Event Notifications will include ticket status (e.g. open, no change, resolved) and as much of the following information as is known to Qwest at the time the notice is sent:
- Description of the problem
- Impact to the CLECs (e.g. geographic area, products affected, business implications)
- Estimated resolution date and time if known
- Resolution if known
- Severity level
- Trouble ticket number(s), date and time
- Work around if defined
- Qwest contact for more information on the problem
- System affected
- Escalation information as available

Both types of notifications will be sent to the CLECs and appropriate Qwest personnel within the time frame set forth in the table below and will include all related system trouble ticket number(s).

11.7 Notification Intervals

Notification Intervals are based on the severity level of the ticket. "Notification Interval for any Change in Status" means that a notification will be sent out within the time specified from the time a change in status occurs. "Notification Interval for No Change in Status" means that a notification will be sent out on a recurring basis within the time specified from the last notification when no change in status has occurred, until resolution. "Notification Interval upon Resolution" means that a notification will be sent out within the time specified from the resolution of the problem.

Notification will be provided during the IT Help Desk normal hours of operation. Qwest will continue to work severity 1 problems outside of Help Desk hours of operation which are Monday-Friday 6:00 a.m. - 8:00 p.m. Mountain time and Saturday 7:00 a.m. - 3:00 p.m. Mountain time, and will communicate with the CLEC(s) as needed. A severity 2 problem may be worked outside the IT Help Desk normal hours of operation on a case-by-case basis.

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The chart below indicates the response intervals a CLEC can expect to receive after reporting a trouble ticket to the IT Help Desk.

Severity Level of Ticket	Notification interval for initial ticket	Notification Interval for any Change in Status	Notification Interval for No Change in Status	Notification Interval upon Resolution
Severity Level 1	Immediate acceptance	Within 1 hour	1 hour	Within 1 hour
Severity Level 2	Immediate acceptance	Within 1 hour	1 hour	Within 1 hour
Severity Level 3	Immediate acceptance	Within 4 hours	48 hours	Within 4 hours
Severity Level 4	Immediate acceptance	Within 8 hours	48 hours	Within 8 hours

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12.0 TRAINING

All changes to existing interfaces, as well as the introduction of new interfaces, will be incorporated into CLEC training.

Qwest may conduct CLEC workshops. CLEC workshops are organized and facilitated by Qwest and can serve any one of the following purposes:

- *Educate CLECs on a particular process or business function*
- *Collect feedback from CLECs on a particular process or business functicn*
- *Provide a forum for Qwest or CLECs to lobby for the implementation of a particular process or business function*

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13.0 ESCALATION PROCESS FROM SEPTEMBER 20, 2001 REDESIGN SESSION

13.1 Guidelines

- The escalation process will include items that are defined as within the CMP scope.
- The decision to escalate is left to the discretion of the CLEC, based on the severity of the missed or unaccepted response/resolution.
- Escalations may also involve issues related to CMP itself, including the administration of the CMP
- The expectation is that escalation should occur only after change management procedures have occurred per the CMP.

13.2 Cycle

Item must be formally escalated as an e-mail sent to the Qwest CMP escalation e-mail address, http://www.qwest.com/wholesale/cmp/escalations_dispute.html. iate provider escalation level.

- Subject line of the escalation e-mail must include:
  - CLEC Company name
  - "ESCALATION"
  - Change Request (CR) number and status, if applicable
- Content of e-mail must enclose appropriate supporting documentation, if applicable, and to the extent that the supporting documentation does not include the following information, the following must be provided:
  - Description of item being escalated
  - History of item
  - Reason for Escalation
  - Business need and impact
  - Desired CLEC resolution
  - CLEC contact information including Name, Title, Phone Number, and e-mail address
  - CLEC may request that impacted activities be stopped, continued or an interim solution be established.
- Qwest will acknowledge receipt of the complete escalation e-mail with an acknowledgement of the e-mail no later than the close of business of the following business day. If the escalation email does not contain the following specified information Qwest will notify the CLEC by the close of business on the following business day, identifying and requesting information that was not originally included. When the escalation email is complete, the acknowledgement email will include:
  - Date and time of escalation receipt
  - Date and time of acknowledgement email
  - Name, phone number and email address of the Qwest Director, or above, assigned to the escalation.
- Qwest will post escalated issue and any associated responses on the CMP web site within 1 business day of receipt of the complete escalation or response.

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- Qwest will give notification that an escalation has been requested via the Industry Mail Out process
- Any other CLEC wishing to participate in the escalation must submit an e-mail notification to the escalation URL within one (1) business day of the mail out. The subject line of the e-mail must include the title of the escalated issue followed by "ESCALATION PARTICIPATION"
- Qwest will respond with a binding position e-mail including supporting rationale as soon as practicable, but no later than:
  - For escalated CRs, seven (7) calendar days of sending the acknowledgment e-mail,.
  - For all other escalations, fourteen (14) calendar days of sending the acknowledgment e-mail.
- The escalating CLEC will respond to Qwest within seven (7) calendar days with a binding position e-mail.
- When the escalation is closed, the resolution will be subject to the CMP.

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14.0 DISPUTE RESOLUTION PROCESS

CLECs and Qwest will work together in good faith to resolve any issue brought before the CMP. In the event that an impasse issue develops, a party may pursue the dispute resolution processes set forth below: Item must be formally noticed as an e-mail sent to the Qwest CMP Dispute Resolution e-mail address, http://www.qwest.com/wholesale/cmp/escalations_dispute.html. Subject line of the e-mail must include:

- CLEC Company name
- "Dispute Resolution"
- Change Request (CR) number and status, if applicable
- Content of e-mail must enclose appropriate supporting documentation, if applicable, and to the extent that the supporting documentation does not include the following information, the following must be provided:
  - Description of item
  - History of item
  - Reason for Escalation
  - Business need and impact
  - Desired CLEC resolution
  - CLEC contact information including Name, Title, Phone Number, and e-mail address
  - Qwest will acknowledge receipt of the complete Dispute Resolution e-mail within one (1) business day
- Qwest or any CLEC may suggest that the issue be resolved through an Alternative Dispute Resolution (ADR) process, such as arbitration or mediation using the American Arbitration Association (AAA) or other rules. If the parties agree to use an ADR process and agree upon the process and rules to be used, including whether the results of the ADR process are binding, the dispute will be resolved through the agreed-upon ADR process.
- Without the necessity for a prior ADR Process, Qwest or any CLEC may submit the issue, following the commission's established procedures, with the appropriate regulatory agency requesting resolution of the dispute. This provision is not intended to change the scope of any regulatory agency's authority with regard to Qwest or the CLECs.

This process does not limit any party's right to seek remedies in a regulatory or legal arena at any time.

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DEFINITION OF TERMS

Term	Definition
CLEC	Party originating a request (LSR)

INTERFACE	A mechanism to communicate between CLEC/provider or trading partners (e.g., paper, GUI, gateway)
	• A new interface is Qwest's introduction of paper, GUI, gateway, etc., to all CLECs for the first time.
	• A change to an interface may include:
	  ◦ Paper to GUI
	  ◦ Changes of EDI to CORBA

ISSUE	The specific OBF LSOG Issue (e.g., Local Services Ordering Guidelines (LSOG) document, Issue 5, August 2000)
PROVIDER	Party receiving request (LSR)
RELEASE	Implementation of version (Type 3 change) using a particular interface. A release may include enhancements or customization (Type 1,2,4 or 5 change) to an LSOG version by a provider as well as CLEC/provider business requirements.
VERSION	The supported OBF LSOG Issue (e.g., Local Services Ordering Guidelines (LSOG) document, Issue 5, August 2000) (Type 3 change)

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GLOSSARY OF TERMS

ANSI	*American National Standards Institute*
ATIS	*Alliance for Telecommunications Industry Solutions*
CMP	*Change Management Process*
ECIC	*Electronic Communications Implementation Committee*
EDI	*Electronic Data Interchange*
FCC	*Federal Communications Commission*
GUI	*Graphical User Interface*
ITU	*International Telecommunications Union*
LOI	*Letter of Intent*
LSR	*Local Service Request*
NRIC	*Network Reliability and Interoperability Council*
OBF	*Ordering and Billing Forum*
OIS	*Outstanding Issue Solution*
OSS	*Operational Support Systems*
POC	*Point Of Contact*
RN	*Release Notification*
TCIF	*Telecommunications Industry Forum*

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APPENDIX A: CHANGE REQUEST FORM AND CHECKLIST

I. *Appendix A-1: Change Request Form*

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(1) Internal Reference # _____ *(2) Date Change Request Submitted* ___/___/___

(3) ☐ ***TYPE 1 (EMERGENCY)*** *(4)* ☐ ***TYPE 2 (REGULATORY)*** *(5)* ☐ ***TYPE 3 (INDUSTRY)***
- ☐ *Severity 1 (stops production)*
- ☐ *Severity 2 (impacts production)*
- ☐ *Severity 3 (major w/work around)*

(6) ☐ ***TYPE 4 (PROVIDER)*** *(7)* ☐ ***TYPE 5 (CLEC)***

(4) CLEC _____

(5) Originator _____ *(6) Phone* _____

(7) Originator's Email Address _____ *(8) Fax* _____

(9) Alternate Contact _____ *(10) Alt Phone #* _____

(11) Title of Change _____

(12) Category ☐ *Add New Functionality* ☐ *Change Existing*

(13) Interfaces Impacted
- ☐ *Pre-Ordering*
- ☐ *Ordering*
- ☐ *Maintenance*
- ☐ *Manual*
- ☐ *Billing*
- ☐ *Business Rules*
- ☐ *Other*

(14) Description of requested change including purpose and benefit received from this change. (Use additional sheets, if necessary.)

_____
_____
_____
_____

(15) Known dependencies

_____
_____
_____

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(16) List all business specifications and/or requirements documents included (or internal / Standards location, if applicable)

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This Section to be completed by Provider ONLY.

*(17) Change Request Log #*_____ *(18) Clarification* ☐ *Yes* ☐ *No*

(19) Clarification Request Sent ___/___/___ *(20) Clarification Response Due* ___/___/___

(21) Status _____

(22) Change Request Review Date __/__/__ *(23) Target Implementation Date* ___/___/__

(24) Last Modified By _____ *(25) Date Modified* ___/___/___

(26) Change Request Activity

_____

_____

_____

_____

(27) Rejected Change Request

- ☐ *Cost/benefits*
- ☐ *Resource commitments*
- ☐ *Industry or regulatory direction*
- ☐ *Provider direction*
- ☐ *Other*

_____

_____

(28) Cancellation Acknowledgment CLEC _____ *Provider*_____ *Date* ___/___/___

(29) Request Escalation ☐ *Yes* ☐ *No*

(30) Escalation Considerations

_____

_____

_____

_____

(31) Agreed Release Date ___/___/___

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This section to be completed by Provider – Internal Validation of Defect Change Request.

(32) Defect Validation Results:

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APPENDIX A-2: CHANGE REQUEST FORM CHECKLIST

All fields will be validated before Change Request is returned for clarification.

Field	Checklist	Description	Instructions	Action Required
1	Optional	Optional field for the initiator to use for internal tracking. The request may be generated prior to submission into Qwest's change control process.	No action	
2	Mandatory	Date Change Request sent to Provider.	Return to Sender	Date entry required
3	Mandatory	Indicate type of Change Request: CLEC or Provider initiated Industry Standard or Regulatory.	Return to Sender	Company designation required
4	Mandatory	Enter company name for the Change Request.	Return to Sender	Company name required
5	Mandatory	Enter originating company's Change Control Initiator's name.	Return to Sender	Initiator's name required
6	Mandatory	Enter originating company's Change Control Initiator's phone number.	Return to Sender	Initiator's phone number required
7	Mandatory	Enter originating company's Change Control Initiator's Email address.	Return to Sender	Initiator's Email address required
8	Mandatory	Enter originating company's Change Control Initiator's fax number.	Return to Sender	Initiator's fax number required
9	Mandatory	Enter originating company's alternate contact name.	Return to Sender	Alternate contact name required
10	Mandatory	Enter originating company's alternate contact phone number.	Return to Sender	Alternate contact number required
11	Mandatory	For the purpose of referencing the Change Request, assign a short, but descriptive name.	Return to Sender	Title required – maximum length 40 characters.
12	Mandatory	Identify request category for the Change Request.	Return to Sender	Category required
13	Mandatory	Identify originating company assessment of impact	Return to Sender	Entry required
14	Mandatory	Describe the proposed Change Request, indicating the purpose and benefit of request. If additional space is needed, use additional sheet.	Return to Sender	Description of Change Request required
15	Mandatory	Indicate any known dependencies relative to the Change Request. If none are known, enter "None known".	Return to Sender	Entry required

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Field	Checklist	Description	Instructions	Action Required
16	Mandatory	Indicate whether additional information accompanies/supports the proposed Change Request. If yes, list all documents attached or reference where they can be found, including internet address and standards reference, if applicable.	Return to Sender	Supporting documentation must accompany request
17	Mandatory Provider	A Change Request Log Number generated by the "Change Request Logging system" upon receipt of the Change Request. The number should be sent back to the initiator on the acknowledgment receipt. This # will be used to track the Change Request.	Return to Sender	Log number – system generated
18	Conditional Provider	Indicates whether clarification is needed on the Change Request.	Return to Sender	
19	Conditional Provider	Date clarification request sent to Initiator.		
20	Conditional Provider	Date clarification due back from Initiator.	Return to Sender	
21	Mandatory Provider	Indicate status of proposed Change Request (i.e., clarification, validation, pending, etc)		
22	Mandatory Provider	Assign date when Change Request will appear on agenda.	Return to Sender	
23	Mandatory Provider	A soft date for implementation. Updated based on Candidate Release Package info.		
24	Mandatory Provider	Field that communicates who last updated the request.		
25	Mandatory Provider	Field that communicates when the last update occurred.		
26	Mandatory Provider	Change Request results captured from the Change Review meeting.		
27	Conditional Provider	Cancelled Change Request reasoning.	Return to Sender	
28	Conditional Provider	Concurrence with Change Request originating company. Show date of concurrence.	Return to Sender	
29	Conditional Provider	Change Request Escalation indication.		
30	Conditional Provider	Detailed description of the escalation considerations.		
31	Mandatory Provider	Indicate agreed release date from Project Release Plan.		
32	Mandatory Provider	Results of Internal Defect Validation		

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APPENDIX B: CHANGE REQUEST PRIORITIZATION FORM

Item #	Change Request #	Description of Change Request	CLEC Rankings	Comments
		Title: *Description:* *Process:* *System:* *Primary Area:* *LSOG Version:* *Initiator/Date:*	*Overall =* *Cust #1 =* *Cust #2 =* *Cust #3 =* *Cust #4 =* *Cust #5 =* *Cust #6 =*	
		Title: *Description:* *Process:* *System:* *Primary Area:* *LSOG Version:* *Initiator/Date:*	*Overall =* *Cust #1 =* *Cust #2 =* *Cust #3 =* *Cust #4 =* *Cust #5 =* *Cust #6 =*	
		Title: *Description:* *Process:* *System:* *Primary Area:* *LSOG Version:* *Initiator/Date:*	*Overall =* *Cust #1 =* *Cust #2 =* *Cust #3 =* *Cust #4 =* *Cust #5 =* *Cust #6 =*	

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APPENDIX C: CMP PRIORITIZATION PROCESS EXAMPLE

Example: Change Request E2 is prioritized highest. Since E3 and E5 are tied, they will be re-ranked and prioritized according to the re-ranking.

Pre-order	CLEC #1	CLEC #2	CLEC #3	TOTAL	Average
E1	5	5	5	15	5
E2	1	2	1	4	1
E3	3	1	5	9	3
E4	5	3	4	12	4
E5	2	5	2	9	3
E6	4	4	3	11	4

[1] Throughout this document, OSS interfaces are defined as existing or new gateways (including application-to-application interfaces and Graphical User Interfaces), connectivity and system functions that support or affect the pre-order, order, provisioning, maintenance and repair, and billing capabilities for local services provided by CLECs to their end users

[2] Throughout this document, the terms "include(s)" and "including" mean "including, but not limited to."

Change Management Process (CMP) Improvements - 11-26-01
Revised 2-15-02

Improvement	Implementation Date(s)
Standard Naming Convention	August 2001
Web Site Improvements - Design	October 2001
Customer Notification Letter Archive – Searchable website database	January 2002
CMP Process Improvements - CR Clarification Meetings - Meeting Distribution Package - Meeting Minutes - CR Tracking and Reporting Database - CR Project Management	August – November 2001
Escalation and Dispute Resolution Process Redesign Improvements - Process - Web Site	November 2001
Interim Exception Process	September 2001
OSS Interface 12 Month Development View	November 2001
CLEC/Qwest Initiated OSS Interface CR Process Redesign Improvements - Process - Form	October – November 2001
CLEC Initiated Product and Process CR Process Redesign Improvements - Process - Form	October – November 2001
PCAT Red-Line	Started November 2001
Tech-Pub Red-Line	*Started October 2001*

ritization of Qwest Originated OSS Interface CRs	August – November 2001 Language scheduled to be completed on Redesign on Feb 2002
duction of New OSS Interface	Ready when applicable
Tool to Support CLEC Comments	November 2001
rement of OSS Interface	Ready when applicable
nges to an Existing OSS Application to Application Interface Draft Technical Specifications Walkthrough CLEC Comment Cycle Final Technical Specifications CLEC Testing	Effective with IMA 10.0 Release
nges to an Existing GUI Draft User Guide CLEC Comment Cycle Final User Guide	Effective with IMA 10.0 Release
IMA EDI Versioning	In Effect
face Testing Environment SATE	SATE Available with IMA 9.0 Master Redline language agreed to Feb 5-7 Redesign
uction Support	Implemented February 2001
nical Escalation Process	Process agreed to on Redesign Feb 4-7

3.4 QWEST INITIATED PRODUCT/PROCESS CHANGE PROCESS

[March 19, 2002, CMP Redesign: Following is a process Qwest will implement as Qwest and CLECs further evaluate and modify it. Further action will be taken by the CMP Redesign team as follows. CLECs and Qwest will review product/process notices issued over the last few months in order to make the list of categories in each "Level" more exhaustive. This initial effort should be completed by April 16, 2002. After this review, CLECs and Qwest will baseline this process, add it to the Interim draft master redline document and implement it as modified.]

The following defines four levels of Qwest-initiated product/process changes and the process by which Qwest will initiate and implement these changes. None of the following shall be construed to supersede timelines or provisions mandated by federal or state regulatory authorities, certain CLEC facing websites (e.g. ICONN and Network Disclosures) or individual interconnection agreements. The lists provided below are exhaustive/ finite, but may be modified by agreement of the parties[Discuss how the levels will be modified long term]. Qwest will utilize these lists when determining the disposition (e.g. level 1–4) to which new changes should be categorized. The changes that go through these processes are not changes to systems.

3.4.1 Level 1 changes

Level 1 changes are defined as changes that do not alter CLEC operating procedures or are time critical corrections. Time critical changes may alter CLEC operating procedures, but only if such changes have first been implemented through the appropriate procedure under CMP for such changes. Level 1 changes are effective immediately upon notice. In the event the CLEC believes that its operating procedures are altered by the change, the CLEC will immediately notify the Qwest CMP manager by e-mail. Qwest will promptly respond to the CLEC and work to resolve the issue.

Level 1 change categories are:

- Verbiage clarifications/wordsmithing
- Providing additional information such as:
  - Additional information regarding existing products (e.g. Premium Listing)
  - Documentation concerning existing processes not previously documented (e.g. inside wiring)
  - New feature downloadable within a PCAT for existing feature not previously documented
- Corrections that do not change the initial purpose of a document
- Corrections to synch up documentation with systems capabilities
- Modifications to frequently asked questions
- Re-notifications issued within 6 months after initial notification (notice will include reference to date of initial notification)
- Training schedule changes (note: training schedules are posted quarterly, if a class is cancelled, notification is provided 2 weeks in advance. If a class is added, it is posted as soon as possible)
- Typo corrections, grammar corrections, product branding changes
- Update Invalid Contact Information

    - Update Contacts lists when contact no longer work for Qwest (e g Escalation Contacts List)
    - Contact information updates from organizational changes
- URL changes with redirect link

For any change that Qwest considers a Level 1 change that does not specifically fit into one of the categories listed above, Qwest shall issue a Level 3 notification

3.4.1.1 Level 1 Process/Deliverables

For Level 1 changes, Qwest will provide a notification to CLECs Level 1 notifications will state the disposition (e.g. level 1), description of change, changes are effective immediately, that there is no comment cycle and will advise CLECs to contact the CMP Manager immediately if the change alters the CLECs operating procedures and requires Qwest's assistance to resolve. In addition, Qwest will provide the following for PCAT and NonFCC Technical Publication ("Tech Pub") changes

- A web notification form that includes an exact cut and paste of the changes highlighted in green (PCAT) or redlined (Technical Publications) If necessary, additional text above and below the changes will be provided for context
- A history log that tracks the changes

Note: For typo corrections, grammar corrections, and product branding changes to PCATs and NonFCC Tech Pubs notifications, web change forms will not be provided The changes will be documented in the history log for the document to which the changes were made.

3.4.2 Level 2 changes

Level 2 changes are defined as changes that have minimal effect on CLEC operating procedures. Qwest will provide notice of Level 2 changes at least 21 calendar days prior to implementation.

Level 2 change categories are:

- Email address changes
- TN changes
- FAX TN changes
- Changes to existing Web content
    - Remove data stored under archive links after certain time period
    - Eliminate a re-direct link
    - Add new functionality (e.g. CNLA)
- Re-notifications issued 6 months or more after the initial notification (notice will include reference to date of initial notification)
- Updates (e.g. CLEC Questionnaire)

For any change that Qwest considers a Level 2 change that does not specifically fit into one of the categories listed above, Qwest shall issue a Level 3 notification

3.4.2.1 Level 2 Process/Deliverables

For Level 2 changes, Qwest will provide a notice to CLECs Level 2 notifications will state the disposition (e.g. level 2), description of change, proposed implementation date,

and CLEC/Qwest comment cycle timeframes. In addition to the notice, any documentation changes required to PCATs and Non-FCC Tech Pubs (red-line for Tech Pubs and green highlights for PCATs) will be available for review in the Document Review section of the CMP Website (http://www.qwest.com/wholesale/cmp/review.html), commonly known as the document review site. In the document review site, a comment button will be available next to the document to allow CLECs to provide comments. For Level 2 changes that do not impact PCATs or NonFCC Tech Pubs, a comments link will be provided within the notification for comments.

Qwest must provide initial notice of Level 2 changes at least 21 calendar days prior to implementation and adhere to the following comment cycle

- CLECs have 7 calendar days following initial notification of the change to provide written comments on the notice
- Qwest will reply to CLEC comments no later than 7 calendar days following the CLEC cut-off for comments. The Qwest reply will also include confirmation of the implementation date.
- Qwest will implement no sooner than 21 calendar days from the initial notification

CLECs may provide General comments regarding the change (e.g., clarification, request for modification). Comments must be provided during the comments cycle as outlined for level 2 changes.

For general comments, Qwest will respond to comments and provide a final notice of the change. Additionally, Qwest will provide documentation of proposed changes to Qwest PCATs and NonFCC Tech Pubs available to CLECs and implement the change(s) according to the timeframes put forth above. If there are no CLEC comments, a final notice will not be provided and the changes will be effective according to the date provided in the original notification.

If the CLECs do not accept Qwest's response, any CLEC may elect to escalate or pursue dispute resolution in accordance with the agreed upon CMP Escalation or Dispute Resolution procedures.

3.4.3 Level 3 changes

Level 3 changes are defined as changes that have moderate effect on CLEC operating procedures and require more lead-time before implementation than Level 2 changes. Qwest will provide initial notice of Level 3 changes at least 31 calendar days prior to implementation.

Level 3 change categories are:

- Changes to whether fields are required
  - Use of manual handling field during manual process
- NC/NCI code changes
- Product enhancements (excluding resale) that do not drive new processes
- Customer-facing Center hour changes
- New manual process
  - Feature verification for large CSRs
  - Working TNs for Resale Centrex

- Modify/change existing manual process
  - Change manual reject reasons
  - Modify manual jeopardy form
- Change CLEC facing process to improve process gaps
  - Service/Account Manager identifies a gap in process based on a CLEC ADHOC inquiry

3.4.3.1 Level 3 Process/Deliverables

For Level 3 changes, Qwest will provide a notice to CLECs. Level 3 notifications will state the disposition (e.g. level 3), description of change, proposed implementation date and CLEC/Qwest comment cycle timeframes. For Level 3 notifications that Qwest believes represent a new change category under Level 1 or Level 2, Qwest should propose such new change category in the notice and CLECs and Qwest will discuss the proposal in the next monthly Product & Process CMP meeting. In addition to the notice, any documentation changes required to PCATs and Non-FCC Tech Pubs (red-line for Tech Pubs and green highlights for PCATs) will be available for review in the Document Review section of the CMP Website (http://www.qwest.com/wholesale/cmp/review.html), commonly known as the document review site. In the document review site, a comment button will be available next to the document to allow CLECs to provide written comments. For Level 3 changes that do not impact PCATs or Non-FCC Tech pubs, a link will be provided within the notification for comments.

Qwest will provide initial notice of Level 3 changes at least 31 calendar days prior to implementation and adhere to the following comment cycle:

- CLECs have 15 calendar days following initial notification of the change to provide written comments on the notice.
- Qwest will reply to CLEC comments no later than 15 calendar days following the CLEC cut-off for comments. The Qwest reply will also include confirmation of the implementation date. In the event there are extenuating circumstances, (e.g. requested change requires significant research, information is required from national standards body or industry (e.g. Telcordia)), Qwest's response will indicate the course of action Qwest is taking and Qwest will provide additional information when available. Once the information is available Qwest will provide a notification and any available updated documentation (e.g. Tech Pubs, PCATs) at least 15 calendar days prior to implementation.
- Qwest will implement no sooner than 15 calendar days after providing the response to CLEC comments. For example, if there are no CLEC comments, Qwest may send out a final notification on the first day following the CLEC cut-off for comments (day 16 after the initial notification). Thus, implementation would be 31 days from the initial notification. However, if Qwest does not respond to the CLEC comments until the 15th day after the CLEC cut-off for comments, the earliest possible implementation date would be 45 calendar days from the initial notification.

CLEC comments must be provided during the comment cycle as outlined for Level 3 changes. Comments may be one of the following:

- General comments regarding the change (e.g., clarification, request for modification)
- Request to change disposition of Level. If the request is for a change to Level 4, the request must include substantive information to warrant a change in disposition (e.g. business need, financial impact)

- Request to change disposition to a Level 1 or Level 2 doesn't have to include substantive information to warrant a change
- Request for postponement of implementation date, or effective date

For general comments, Qwest will respond to comments and provide a final notice of the change. Additionally, Qwest will provide documentation of proposed changes to Qwest PCATs and NonFCC Tech Pubs available to CLECs and implement the change(s) according to the timeframes put forth above

CLECs and Qwest will discuss requests to change the disposition Level of noticed changes, or to establish new change categories under Levels 1 – 4, at the next monthly Product & Process CMP meeting. In the event that the parties are not able to reach consensus on any such request, CLECs and Qwest will take a vote of the parties in attendance at the meeting. The result will be determined by the majority. If the disposition Level of a change is modified, from the date of the modification forward such change will proceed under the modified Level. When a change to the disposition Level of a particular notice also suggests that a new category of change be established under one of the Levels, a separate vote shall be taken for each

For a request for postponement, Qwest will follow the procedures as outlined in Section 4 of this document.

If the CLECs do not accept Qwest's response, any CLEC may elect to escalate or pursue dispute resolution in accordance with the agreed upon CMP Escalation or Dispute Resolution procedures

3.4.4 Level 4 Changes

Level 4 changes are defined as changes that have a major effect on existing CLEC operating procedures or that require the development of new procedures. Level 4 changes will be initiated using the CMP CR process and provide CLEC an opportunity to have input into the development of the change prior to implementation

Level 4 change categories are:

- New products, features, services (excluding resale)
- Interval changes
  - Increase FOC to 72 hours
  - Changes to Standard Interval Guide (SIG)
  - Change a wire center's status of MSA/ nonMSA or Zone 1 or 2 designation resulting in a change to the M&R and Provisioning interval
- Change to a pre-order step
  - Need to populate appointment scheduler
  - Check facility availability
- New processes related to product enhancements
  - Add Shared Distribution Loop as an additional sub-loop element
  - Extension tech on UBL
  - New features with new processes
- New PCAT for new processes

3.4.4.1 Level 4 Process/Deliverables

Qwest will submit a completed Change Request no later than 14 calendar days prior to the CMP Product and Process Monthly Meeting. At a minimum, each Change Request will include the following information:

- A description of the proposed change
- A proposed implementation date (if known)
- Indication of the reason for change (e.g., regulatory mandate)
- Basis for disposition of level 4

Within two (2) business days from receipt of the CR:

- The Qwest CMP manager assigns a CR Number and logs the CR into the CMP Database.
- The Qwest CMP Manager forwards the CR to the CMP Group Manager.
- The Qwest CMP manager sends acknowledgment of receipt to the CR submitter and updates the CMP Database.

Within two (2) business days after acknowledgement,

- The Qwest CMP Manager posts the complete CR to the CMP Web site.
- The CMP Group Manager assigns a Change Request Project Manager (CRPM) and identifies the appropriate Director responsible for the CR.
- The CRPM identifies the CR subject matter expert (SME) and the SME's Director.
- The CRPM will provide a copy of the detailed CR report to the CR originator which includes the following information:
  - Description of CR
  - Assigned CRPM
  - Assigned CR number
  - Designated Qwest SME(s) and associated director(s)

Qwest will present the Change Request at the monthly Product and Process CMP meeting. The purpose of the presentation will be to:

- Clarify the proposal with the CLECs
- Confirm the disposition (e.g., level 4) of the Change (see below). If during the CMP meeting CLECs agree to change the disposition, then the type of change being made will be added to the list for the disposition to which it is changed.
- Propose suggested input approach (e.g., a 2 hour meeting, 4 meetings over a two week period, etc.), and obtain consensus for input approach.
- Confirm deadline, if change is mandated.
- Provide proposed implementation date, if applicable.

At the monthly CMP meeting, the parties will discuss whether to treat the Change Request as a Level 4 change. If the parties agree, the Change Request will be reclassified as a Level 1, 2 or 3 change, and the change will follow the process set forth above for Level 1, 2, or 3 changes, as applicable. If the parties do not agree to reclassify the Change Request as a Level 1, 2 or 3 change, the following process will apply:

- The parties will develop a process for Qwest to obtain CLEC input into the proposed change. Examples of processes for input include, but are not limited to, one-day conferences, multi-day conferences, or written comment cycles.

- After completion of the input cycle, as defined during the CMP meeting, Qwest will modify the CR, if necessary, and design the solution considering all CLEC input
- For Level 4 changes, when the solution is designed and all documentation is available for review, a notice of the planned change is provided to the CLECs. This notice will be provided at least 31 calendar days prior to implementation. The notice will contain reference to the original CR, proposed implementation date, and the CLEC/Qwest comment cycle. In addition, any documentation changes required to PCATs and Non-FCC Tech Pubs will be available for review in the document review site (red-line for Tech Pubs and Red-line for Tech Pubs) with a Comment button available to provide written comments. For Level 4 changes that do not impact PCATs or NonFCC Tech Pubs, a comments link will be provided within the notification.
- CLECs have 15 calendar days following notification of the planned change to provide written comments on the notice
- Qwest will reply to CLEC comments no later than 15 calendar days following the CLEC cut-off for comments. The Qwest reply will also include confirmation of the implementation date. In the event there are extenuating circumstances, (e.g. requested change requires significant research, information is required from national standards body or industry (e.g. Telcordia)), Qwest's response will indicate the course of action Qwest is taking and Qwest will provide additional information when available. Once the information is available Qwest will provide a notification and any available updated documentation (e.g. Tech Pubs, PCATs) at least 15 calendar days prior to implementation.
- Qwest will implement no sooner than 15 calendar days after providing the response to CLEC comments. For example, if there are no CLEC comments, Qwest may send out a final notification on the first day following the CLEC cut-off for comments (day 16 after the initial notification). Thus, implementation would be 31 days from the initial notification. However, if Qwest does not respond to the CLEC comments until the 15th day after the CLEC cut-off for comments, the earliest possible implementation date would be 45 calendar days from the initial notification.

CLEC comments must be provided during the comment cycle as outlined for Level 4. CLEC comments may be one of the following:

- General comments regarding the change (e.g., clarification, request for modification)
- Request for stay or delay implementation, or effective date for which comments are being provided.

For general comments, Qwest will respond to comments and provide a final notice of the change. Additionally, Qwest will provide documentation of proposed changes to Qwest PCATs and NonFCC Tech Pubs available to CLECs and implement the change(s) according to the timeframes put forth above.

For a request to stay or delay, Qwest will follow the procedures as outlined in Section 4 of this document.

If the CLECs do not accept Qwest's response, any CLEC may elect to escalate the CR or pursue dispute resolution in accordance with the agreed upon CMP Escalation or Dispute Resolution procedures.

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271 (C) OF THE TELECOMMUNICATIONS ACT OF 1996	))))	DOCKET TC 01-165

QWEST CORPORATION'S

REBUTTAL AFFIDAVIT

OF

MARIE E. SCHWARTZ

SECTION 272

APRIL 2, 2002

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REBUTTAL AFFIDAVIT

OF

MARIE E. SCHWARTZ

Section 272

My name is Marie E. Schwartz. As stated in my initial affidavit, my business address is 1314 Douglas-On-The-Mall, Floor 10, Omaha, Nebraska 68102. I am a Director in FCC Regulatory Accounting at Qwest Corporation ("QC," or "the BOC") and am responsible for ensuring QC's regulatory compliance with Section 272 of the Telecommunications Act of 1996 ("the Act").

I. INTRODUCTION

The purpose of my rebuttal affidavit is to address issues raised by AT&T in its comments on Section 272, filed on March 18, 2002. No South Dakota parties have raised any issues relevant to Section 272.[1] Indeed, the Staff of the Commission has endorsed the Multistate Facilitator's approval of QC's Section 272 showing.[2]

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[1] Midcontinent Communications notes in its testimony that it has had a dispute with QC over a bill for resold services that it claims has not been resolved promptly. Although listed as a Section 272 issue, this matter does not seem to relate in any way to any transaction between QC and QCC. Pre-filed Testimony of W. Tom Simmon, *In the Matter of the Analysis into Qwest Corporation's Compliance with Section 271(c) of the Telecommunications Act of 1996*, Docket TC01-165 (Mar. 18, 2002) at 15-16.

[2] Direct Testimony of Marlon Griffing on behalf of the Staff of the Public Utilities Commission of South Dakota, *In the Matter of the Analysis into Qwest Corporation's Compliance with Section 271(c) of the Telecommunications Act of 1996*, Docket TC01-165 (Mar. 18, 2002), at 12-13 ("Griffing Testimony"). Dr. Griffing has urged that QC demonstrate that the overlap between officers of QCC and its corporate parent is consistent with Section 272. I address this issue in connection with Section 272(b)(3) below.

AT&T has not introduced any sworn testimony in South Dakota regarding Section 272. In states in which it has, its arguments have been rejected. These decisions are probative here, because the Section 272 affiliate contemplated in South Dakota is the same one the BOC contemplates in all of its other states and the evidence it has submitted in each state on this issue is thus virtually identical.

QC and AT&T have presented their evidence on Section 272 in hearings conducted by or on behalf of each of the thirteen other states in QC's fourteen state region.[3] Commissions (or, in Colorado, the Commission Chairman) in six of these thirteen states have now issued decisions regarding Section 272. *Every one of these decisions* -- in Nebraska,[4] New Mexico,[5] Washington,[6] Colorado,[7] Montana,[8] and North

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[3] Excerpts from pertinent portions of the transcripts of these hearings relating to issues raised by AT&T are attached hereto as Exhibits MES-272-25, MES-272-26, MES-272-27, and MES-272-28.

[4] Section 272 Satisfied, *In the Matter of U S West Communications, Inc., Denver, Colorado, filing its notice of intention to file its Section 271(c) application with the FCC and request for the Commission to verify US West compliance with Section 271(c)*, Application No. C-1830 (Neb. Pub. Serv. Comm'n, Sept. 18, 2001) at ¶ 23 ("Nebraska Order").

[5] Order Regarding Section 272 Compliance, *In the Matter of Qwest Corporation's Section 271 Application and Motion for Alternative Procedure to Manage the Section 271 Process*, Utility Case No. 3269 (New Mexico Pub. Reg. Comm'n, Feb. 13, 2002) ("New Mexico Order").

[6] Twenty Eighth Supplemental Order; Washington Commission Order Addressing Workshop Four Issues; Checklist Item No. 4; Emerging Services, General Terms and Conditions, Public Interest, Track A, and Section 272, *In the Matter of the Investigation Into U S WEST Communications, Inc.'s Compliance with Section 271 of the Telecommunications Act of 1996, Docket No. UT-003022 and 003040, Washington Utilities and Transportation Commission*, (Washington Utils. And Transp. Comm'n, March 13, 2002) ("Washington Order") (this Order to be finalized after further consideration of QCC-LCI merger).

[7] Order on Staff Volume VII Regarding: Section 272, Public Interest, and Track A, *In the Matter of the Investigation into U S West Communication, Inc.'s Compliance with § 271(c) of the Telecommunications Act of 1996*, Docket No. 971-198T, Decision No. R02-318-I (Colorado Pub. Utils. Comm'n, Mar. 18, 2002) at ¶¶ B, E-10-E14 ("Colorado Order").

[8] Preliminary Report on Qwest's Compliance with Section 272 and Request for Comments on Findings, *In the Matter of the Investigation into Qwest Corporation's Compliance with Section 271 of the Telecommunications Act of 1996*, Docket No. D2000.5.70, (Montana Pub Serv. Comm'n Feb. 4, 2002) ("Montana Report") (this report will be finalized upon review of further comments).

Dakota[9] -- has now found that, subject to independent testing recommended by the Multistate Facilitator which QC and QCC have now undergone, as described below, QC and QCC meet the requirements of Section 272. And all three of those orders that have had the opportunity to address that independent testing (in New Mexico, Washington and Colorado) have rejected AT&T's further challenges to it.

The Multistate Facilitator, who was appointed by seven of the states in QC's fourteen-state region to hear testimony and issue recommendations regarding the BOC's compliance with Section 272, found in September 2001 that "[t]he record demonstrates that QC and QCC have met each of the separate affiliate requirements established by section 272 of the Telecommunications Act of 1996 ... Neither AT&T nor any other party to these Multistate proceedings took any exception to the Facilitator's Report on Section 272. The Arizona Staff has likewise recommended that the Arizona Commission conclude that "Qwest meets the requirements of Section 272, and will provide in-region InterLATA service through an affiliate that is separate from the BOC, which will maintain separate books and records in the manner prescribed by the FCC, with separate officers, directors, and employees."[10]

Despite these authorities, AT&T argues that a recent Minnesota ALJ decision supports its claims. That decision, however, is not effective until and unless the

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9 Interim Consultative Report on Group 5 Issues, *U S West Communications Inc. Section 271 Compliance Investigation*, Case No. PU-314-97-193 (North Dakota Pub. Serv. Comm'n, Feb. 27, 2002) ("North Dakota Report") (this report to be finalized after consideration of ROC exceptions).

10 Facilitator's Report on Group 5 Issues, General Terms and Conditions, Section 272, and Track A, In the Matter of the Investigation into U S WEST Communications, Inc.'s Compliance with § 271 of the Telecommunications Act of 1996, Seven State Collaborative Section 271 Workshop (Sept. 21, 2001) at 7 ("Facilitator's Report").

commission in that state adopts it. Moreover, as described below, the Minnesota ALJ actually rejected AT&T's principal claims that QC has failed to comply with the FCC's accounting rules in the timeliness of its accrual and billing for transactions with its 272 affiliate. On those issues, the Minnesota ALJ concluded that QC has demonstrated that QC and its 272 Affiliate will comply with Section 272(b)(2).[12] With respect to other aspects of Section 272, the ALJ's report stated that Qwest had not yet met its burden of demonstrating compliance but could do so by taking recommended actions.[13] This recommendation is at odds with the numerous commission decisions set forth above. It appears based on a view that the FCC's interpretation of the statute "does not have a common sense meaning," or that "the FCC may well reconsider that interpretation " in the future.[14] While QC is in the process of reviewing the Minnesota ALJ's recommendations, many of which are in fact already in place, some of these recommendations go well beyond what the FCC has required of other BOCs that have received 271 approval. The FCC has made clear that a state commission may not "condition or delay BOC entry into intrastate interLATA services" with requirements

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[11] *Final Report on Qwest's Compliance with Section 272*, In the Matter of Qwest Corporation's Section 271 Application, ACC Docket No. T-00000A-97-0238 (Arizona Corp. Comm'n Nov. 14, 2003) ¶ 123 ("Arizona Report") (report to be finalized upon consideration of additional comments).

[12] Findings of Fact and Conclusions of Law and Recommendations, *In the Matter of a Commission Investigation into Qwest's Compliance with the Separate Affiliate Requirements of the Telecommunications Act of 1996 (Section 272)* Docket No. 7-2500-14487-2 (Minnesota Pub. Utils. Comm'n, Mar. 14, 2003)("MN ALJ Decision") at ¶ 37.

[13] *Id.* at 43-45.

[14] *Id.* at ¶¶ 23, 91 & n. 116.

inconsistent with those imposed by the FCC,[15] whether or not the state commission has a different view of what "common sense" requires.

II. THE 272 AFFILIATE SATISFIES THE SEPARATE AFFILIATE REQUIREMENTS OF SECTION 272

Section 272(a) provides that a BOC may not provide in-region interLATA services except through an affiliate that is both "separate" from the BOC and meets the requirements of Section 272(b).[16] As evidenced in my initial affidavit, the BOC complies with the separate affiliate requirement of Section 272(a). As the Multistate Facilitator noted, "[t]he uncontroverted evidence of the record fully supports a conclusion... that QCC... is, by virtue of the corporate structure and ownership under which it operates, separate from QC."[17]

AT&T does not really argue otherwise. Indeed, in other states, it has conceded that compliance with Section 272(b) entitles QC to a finding of compliance with Section 272(a).[18] It suggests, however, that QC -- or, more accurately, its

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15 First Report and Order and Further Notice of Proposed Rulemaking, *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, 11 FCC Rcd 21905 (1996) ¶ 47 ("*Non-Accounting Safeguards Order*"). It is axiomatic that if a state commission cannot condition or delay BOC entry into interstate interLATA services, it also cannot condition or delay BOC entry into interstate interLATA entry with requirements inconsistent with those imposed by the FCC.

16 47 U.S.C. § 272(a)(1)(A)-(B).

17 Facilitator's Report at 49.

18 Transcript, US WEST Communications, Inc.'s Section 271 Compliance Investigation, Seven State Collaborative Process (June 6, 2001) ("6/7/01 MS Tr.") at 176. "[I]f you meet 272(b), you would meet 272(A)."

predecessor -- allegedly has a "repeated failure to comply with § 272(a) and § 271."[19] This argument relates to QC's predecessor's prior interpretations of the scope of Section 271, not its efforts to implement Section 272. AT&T's attorney agreed to this point at the multistate workshop. In his words, "It's not relevant to 272."[20]

The Multistate Facilitator recognized that each of the three cases cited by AT&T involved a good faith view by QC's predecessor (and, in two cases, by Ameritech as well) that a service or product offering did not involve it in the provision of interLATA service. The Buyer's Advantage case, for example, involved the question of whether the prohibition in Section 271 against "provid[ing]" interLATA service could be read to extend to programs by U S WEST and Ameritech in which those BOCs marketed (but did not transmit) an independent third party provider's interLATA service.[21] The calling card programs developed by U S WEST and Ameritech involved similar analyses of whether these BOCs would be deemed to be "provid[ing]" interLATA service by marketing a calling card for use with an independent third party's interexchange service.[22] Finally, U S WEST's National Directory Assistance program involved the question whether providing nonlocal directory assistance from an out-of-region data base -- which would have been permissible under Section 271(g)(4) had the data base

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[19] AT&T Comments on Section 272, *In the Matter of Investigation into Qwest Corporation's Compliance with Section 271(c) of the Telecommunications Act of 1996*, Docket No. TC. 01-165 (Mar. 16, 2001) ("AT&T Comments") at 4-5.

[20] Transcript, U S WEST Communications, Inc.'s Section 271 Compliance Investigation, Seven State Collaborative Process (June 6, 2001) ("6/6/01 MS Tr.") at 172.

[21] *U S West Communications, Inc. v. FCC*, 177 F.3d 1057 (D.C. Cir. 1999), *cert. denied*, 528 U.S. 1061 (2000).

[22] See Memorandum Opinion and Order, *AT&T Corp. v. U S WEST Communications, Inc.*, 16 FCC Rcd 3574 (2001).

been owned by U S WEST itself -- so qualified where the data base was owned by a third party.[23]

These cases involved nothing more than a dispute, not about Section 272, but about the scope of the term "provide" as used in Section 271. They provide no evidence concerning the BOC's commitment to compliance with Section 272. As the Multistate Facilitator recognized, these cases do not contradict the fact that "Qwest accepts the separate subsidiary obligation and stands ready to meet it," because "it is self-evident that Qwest only failed to use a separate subsidiary [in these instances] in the mistaken belief that the services did not constitute in-region, InterLATA service."[24]

Here, in contrast, QC has initiated proceedings to obtain Section 271 approvals in every one of its 14 states, and in connection with those proceedings has established QCC as a Section 272 affiliate to provide future interLATA service. This is the evidence relevant here: QC's demonstration of its satisfaction of the specific requirements of Section 272 over the course of many years, its extensive system of controls designed to detect any noncompliance with those requirements, as well as the further protections the FCC has recognized will be afforded by the biennial audit process. As the Multistate Facilitator found, and as other state commissions have agreed,[25] the cases cited by AT&T "are not predictive of future Qwest conduct that is

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23 Memorandum Opinion and Order, *Petition of U S WEST Communications, Inc. for a Declaratory Ruling Regarding the Provision of National Directory Assistance, Petition of U S WEST Communications, Inc. for Forbearance, The Use of N11 Codes and Other Abbreviated Dialing Arrangements*, 14 FCC Rcd 16252 (1999).

24 Facilitator's Report at 50.

25 *See* Arizona Report ¶¶ 88-92; Nebraska Order ¶¶ 8, 24; Montana Report at 4-7. The Colorado Commissioner also found these instances discussed by AT&T to be "ultimately irrelevant when it comes to deciding whether Qwest meets the separate subsidiary requirements of § 272(a)," and

relevant to the issue of meeting the separate subsidiary requirements of § 272(a)."[26] The South Dakota staff has also endorsed the Multistate Facilitator's finding that "QC and QCC meet the separate ownership test of Section 272" and that the "three cases cited by AT&T are not evidence to warrant drawing a conclusion of Section 272 failure."[27]

III. THE 272 AFFILIATE COMPLIES WITH THE STRUCTURAL AND TRANSACTIONAL REQUIREMENTS OF SECTION 272(b)

A. Section 272(b)(2) -- Separate Books, Records, and Accounts

This provision requires the 272 Affiliate to maintain books, records, and accounts in the manner prescribed by the FCC and separate from the books, records and accounts of the BOC. Here, AT&T continues to present the same arguments that have been rejected by every Commission report that has addressed this issue, as well as in the Minnesota ALJ's recommendation.[28]

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ancillary to the primary inquiry here -- whether it will provide in-region, interLATA service through a separate affiliate." Colorado Order at ¶¶ D-6-7.

[26] Facilitator's Report at 50.

[27] Gelling Testimony at 123-124.

[28] *See* Nebraska Order at ¶ 26 (finding that QC "will comply with Section 272(b)(2)"); New Mexico Order at ¶ 21 (finding QC to be in compliance with Section 272(b)(2)); Washington Order at ¶ 241 (finding that "Qwest has implemented new procedures and controls that will assist it in coming into substantial compliance with the requirements of section 272," including the requirements of 272(b)(2)); Colorado Order at ¶ E-14 (QC "has shown that it has satisfied the requirements of § 272(b)(2)" and has been diligent in identifying errors and strengthening its internal controls); Arizona Report at ¶ 100 (recommending, in a report to be finalized upon consideration of further evidence, that the Arizona Commission find that QC "maintains its books, accounts, and records in accordance with GAAP" and complies with Section 272); MN ALJ Decision at ¶ 37 (finding "Qwest has demonstrated by a preponderance of the evidence that the Qwest BOC and the 272 Affiliate will comply with Section 272(b)(2)").

AT&T says that QC and QCC do not comply with this provision because of "numerous instances of the failure to follow accrual accounting and to timely book billable transactions."[29] Significantly, AT&T does not cite to any such transactions initiated after the overlay of Section 272 controls on the 272 affiliate, which as I noted in my prior affidavit was completed on March 26, 2001.[30] As the Multistate Facilitator noted in his report, AT&T's focus on transactions initiated prior to QCC's ever becoming QC's 272 affiliate in March 2001 "strain[s] the plain language of federal law past the breaking point."[31]

As AT&T also now concedes, QC and QCC "undertook enormous efforts"[32] during this transition period to account for its transactions between the BOC and the 272 Affiliate.[33] In the process of establishing QCC as its Section 272 Affiliate, QC did identify instances of untimely booking of transactions with QCC following the Qwest– U S WEST merger. The steps that QC took during the three-month transition period to bring its newly designated Section 272 Affiliate into compliance with those

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29 AT&T Comments at 7.

30 Qwest Corporation's Affidavit of Marie E. Schwartz, In the Matter of the Investigation into Qwest Corporation's Compliance with Section 271 at 7 ("Schwartz Aff."). AT&T suggests that QC planned to use QCC as its new Section 272 affiliate as early as September 2000. AT&T Comments at 50 & n.50. While QC began to explore the possibility of changing its prior 272 affiliate shortly after the Qwest-U S WEST merger, it did not determine to use QCC until January 2001. The September 2000 e-mail referred to by AT&T did not identify any particular entity as a possible replacement. E-mail from Andrew Crain to 271superhelp@qwest.com (Sept. 18, 2000) ("Qwest is in the process of developing a transition plan for another subsidiary to become Section 272 compliant").

31 Facilitator's Report at 67.

32 AT&T Comments at 8.

33 I have summarized these efforts in my prior affidavit. *See* Schwartz Affidavit at 6-7. They included writing contractual arrangements between the BOC and the 272 Affiliate, evaluating transactions, reviewing pricing, ensuring posting, training employees about the 272 affiliate rules and meeting all other requirements of Section 272 as soon as possible.

requirements demonstrate both its ability and intention to comply with Section 272's requirements now that QCC has become its designated Section 272 Affiliate.

The success of the controls implemented by QC and QCC during the transition is borne out by the independent third-party testing which the Multistate Facilitator recommended to "validat[e]" the effectiveness of the "substantial efforts" that QC and QCC had undertaken during the transition period.[34] That testing was performed by KPMG LLP ("KPMG"), which provided a report on its results in November 2001.[35] Although AT&T asserts that the KPMG validation was "limited in scope" and confined to the "test period of April through August 2001,"[36] the Colorado Chairman has characterized AT&T's comments on the KPMG report as "disingenuous."[37] KPMG's validation was precisely the kind of review recommended by the Multistate Facilitator. It centered on the transactional questions that he identified for validation, it addressed the period of time he specified, and it reflected his determination that materiality was the appropriate standard for review. As the New Mexico Commission recently concluded, the KPMG report "conforms to the Facilitator's recommendation."[38]

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34 Facilitator's Report at 56-58.

35 Qwest submitted the KPMG report, affidavits by Ms. Brunsting and me summarizing the actions taken in light of the report, and a subsequent KPMG declaration confirming that such actions had been taken, to each of the state commissions participating in the multistate workshop. Copies of these filings are attached to this rebuttal affidavit as Exhibits MES-272-19 through MES-272-23.

36 AT&T Comments at 10.

37 Colorado Order at ¶ E-13.

38 The other two orders that have addressed the KPMG report have agreed. *See* Washington Order at ¶ 241; Colorado Order at ¶¶ E-13-14 (rejecting AT&T's assertion that KPMG should have tested additional provisions of Section 272 and stating that "KPMG did not review Qwest's compliance with §§ 272(e), 272(b)(1), 272(b)(3), 272(b)(4), or 272(g), because the Multistate Facilitator found, as I do in this order, that Qwest already has complied with those provisions.").

The KPMG Report and the enhanced controls implemented by QC and QCC provide further assurance that they have implemented procedures reasonably designed to ensure compliance with Section 272. The Washington Commission[39] and the Colorado Chairman[40] have since agreed with the New Mexico Commission that KPMG's evaluation and the related corrective measures "show Qwest to be in compliance with the applicable accounting principles pursuant to section 272(b)(2)."[41]

AT&T also alleges that "Qwest does not even concede that the KPMG Report found specific instances in which Qwest was not in compliance with § 272."[42] The KPMG report makes clear -- and QC's submission of that report acknowledges -- that KPMG identified discrepancies in twelve transactions between QC and QCC. However, this report does not support AT&T's claim that these isolated discrepancies preclude a finding of compliance with Section 272(b)(2). All but one of them involved transactions initiated prior to the transition to QCC as the new Section 272 affiliate, and all but one (which had an estimated net impact of only $3,000) involved discrepancies for which QC or QCC itself had detected the need for corrective action. They also involved an estimated net financial *detriment* to QCC, so they did not implicate either the discrimination or the cross-subsidization concerns identified by the FCC as

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39 Washington Order ¶ 241.

40 Colorado Order at ¶ E-14.

41 New Mexico Order ¶ 20.

42 AT&T Comments at 10.

underlying Section 272.[43] And KPMG's subsequent review has confirmed that QC and QCC have now corrected each of these discrepancies.[44]

The South Dakota Staff has agreed[45] with the Multistate Facilitator's conclusions that "perfection" should not be the relevant standard for judging compliance with Section 272. Such a standard could not be met in "in [AT&T's] own operations" or, for that matter, "in the operations of any wholesale supplier."[46] The FCC has also agreed. It has made clear that determinations of Section 272 compliance should not place weight on "isolated instances" or on "past accounting compliance problems that have been redressed and corrected."[47] The FCC's test is not whether discrepancies have ever arisen but whether QC has controls in place that are "reasonably designed to prevent, as well as detect and correct" such discrepancies.[48]

KPMG's report and subsequent declaration demonstrate that QC and QCC have such controls, and have strengthened them. As set forth in my November

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[43] Memorandum Opinion and Order, *Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Arkansas and Missouri*, 16 FCC Rcd 20719 ¶ 122 (2001).

[44] *See* Exhibit MES-272-23 (KPMG Jacobsen Declaration)

[45] Griffing Direct Testimony at 127.

[46] Facilitator's Report at 56.

[47] Memorandum Opinion and Order, *Application of BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc., for Provision of In-Region, InterLATA Services in Louisiana*, 13 FCC Rcd 20599 ¶ 340 (1998) ("BellSouth-Louisiana II Order").

[48] Memorandum Opinion and Order, *Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Texas*, 15 FCC Rcd 18354 ¶ 398 (2000) ("SBC-Texas Order").

affidavit and that of Ms. Brunsting included with QC's submission of the KPMG report,[49] these strengthened controls include additional safeguards at the corporate level of each company designed to ensure that all inter-company transactions are accrued, billed, and posted promptly and at correct prices: improved formal tracking mechanisms, coordination with operational personnel and comparisons to databases to verify the results of those tracking mechanisms, additional training sessions with relevant personnel, additional supporting documentation to the FCC Regulatory Accounting Department, and development of automated solutions. Contrary to AT&T's assertion that "these reforms have not been tested," KPMG's supplemental declaration has confirmed -- and the New Mexico and Washington Commissions as well as the Chairman of the Colorado Commission have agreed[50] -- that "the new controls and control enhancements . . . implemented by Qwest appear to strengthen the overall control environment with respect to Section 272 compliance and should minimize the types of findings presented in the KPMG Report."[51]

B. Section 272(b)(3) – Separate Officers, Directors, and Employees

Section 272(b)(3) requires the 272 Affiliate to have separate officers, directors, and employees from the BOC. AT&T claims that QC and QCC violate the

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49 *See* Exhibits MES-272-21 & MES-272-22.

50 New Mexico Order ¶ 21. Washington Order ¶241. Colorado Order ¶¶E 13-14

51 Declaration of Philip A. Jacobsen, KPMG LLP (Dec. 14, 2001) at 23 (attached hereto as Exhibit MES-272-23).

requirements of Section 272(b)(3) by (1) establishing "a revolving door atmosphere"[52] that leads to a "free flow of employees back and forth between the BOC and its §272 affiliate,"[53] (2) allowing for the discriminatory sharing of confidential information between QC and QCC employees and (3) permitting employee loans that it alleges are ungoverned by any controls.[54] These arguments are not factually supported and have been rejected by the Multistate Facilitator and by every Commission that has issued a report on QC's Section 272 compliance.

First, as the Multistate Facilitator noted,[55] the statute prohibits only *simultaneous* employment by both QC and QCC, not transfers.[56] AT&T has conceded this point in its testimony in other states.[57] The FCC's biennial audit will assess whether QC and QCC have complied with their internal controls with respect to such transfers. But in any event, contrary to AT&T's allegations of wholesale employee transfer, the actual number of transferred employees has been, in the Colorado Chairman's words, "miniscule." Transfers have involved only approximately 149 employees moving between the BOC and the 272 affiliate, out of a total of approximately 42,000 employees -- 39,000 BOC employees and now approximately 3,000 QCC employees. Reviewing this evidence, the Multistate Facilitator concluded that this relatively small

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[52] AT&T Comments at 10.

[53] AT&T Comments at 11.

[54] AT&T Comments at 11 and 12.

[55] *Facilitator's Report* at 10.

[56] *Non-Accounting Safeguards Order* ¶ 178.

[57] 6/7/01 MS Tr. at 293, 7/9/01 Neb. Tr. at 253-54.

[58] *Colorado Order* at ¶ 8-14.

number of transfers "do[es] not establish that Qwest is using transfers back and forth in a way intended to or actually causing a compromise of operational independence."[59]

AT&T next claims that this relatively small number of transfers between QCC and QC -- or the sharing of services between them as permitted by the FCC's decisions -- will result in the discriminatory provision of confidential information by QC to QCC.[60] In fact, there are significant controls in place designed to assure that transferred employees, and those involved in the provision of shared services, comply with the requirements of Section 272.

Employees of the BOC and the 272 affiliate are physically separated to the greatest extent practicable -- either in separate buildings, or separate floors, or with different access points to the floor. The BOC and the 272 affiliate also provide each employee with a color-coded badge so that others can identify the entity for which that employee works. In addition to these physical separation policies, the BOC and the 272 affiliate have extensive controls to prevent the sharing of confidential information. The Code of Conduct governing the BOC, QCC, and all of their affiliates advises all employees that there are requirements governing the relationships between affiliates that regulate "information flow between" these affiliates."[61] These provisions specifically refer to Section 272 and its "restrictions that apply to the interaction between Qwest Corp. [the BOC] and Qwest Communications Corp [the 272 Affiliate]."[62]

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59 Facilitator's Report at 60

60 AT&T Comments at 11

61 Qwest Code of Conduct (Jun. 30, 2000) at 21. A copy of the most recent version of the Code is attached to this rebuttal affidavit as Exhibit MES-272-2a

62 *Id.*

Employees are also informed -- in mandatory Section 272 training -- about the nature of these requirements. The Code of Conduct further instructs that if they have any questions about them, they are to contact the Policy and Law or Regulatory Accounting Department. QCC's mandatory training expressly instructs its employees that they cannot receive any information except "through the same...processes as other interexchange carriers."[63] BOC employees are similarly informed expressly that the BOC "must provide the goods, services, facilities, and information it provides to QCC to other long distance carriers at the same rates, terms, and conditions."[64] In addition, 272 compliance training is conducted as new employees join the 272 affiliate, the BOC, or any of its other affiliates.

Employees of both the BOC and the 272 affiliate are also made aware that failure to follow these policies will have serious consequences. They are annually required to review the Code of Conduct and sign a statement confirming that they will comply with it. The training and Code of Conduct emphasize that violations of these policies or guidelines will not be tolerated. Employees who violate these policies or guidelines are subject to disciplinary action up to and including termination of employment. Under the policies in place at the BOC and the 272, there can be no inappropriate sharing of information with the Section 272 in any context.

AT&T has also raised an issue concerning the possibility of loans of employees from QC to QCC.[65] There have in fact been no such loans. However, the

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[63] "Conducting Business After Long Distance Re-Entry, Section 272 Compliance," Exhibit MES-272-16, to the Schwartz Aff. at 10.

[64] Id.

[65] AT&T Comments at 12.

BOC and 272 affiliate have until recently had policies specifying that employees cannot be loaned for more than four months out of any 12-month period and that any service provided by loaned employees would be posted to the Internet and made publicly available to other carriers under nondiscriminatory rates, terms, and conditions. As the Multistate Facilitator recognized, loaned employee arrangements occurring within the context of such controls would not violate Section 272(b)(3). Rather, such limitations on the loaning of employees "represent [] a good-faith effort acceptable for present purposes," given the availability of the biennial review.[66] In any event, QC and QCC have recently implemented a written policy that now prohibits any loans of employees between them.

The South Dakota Staff endorses the Facilitator's finding that there is no evidence of "simultaneous employment" between QC and its 272 affiliate,[67] but noted that certain officers of QCC are also officers of QCI, the parent corporation of both QCC and the BOC. Section 272 (b)(3) prohibits overlaps in officers between the 272 Affiliate and the BOC. It does not prohibit overlaps between a Section 272 affiliate and the *parent* of a BOC such as QCI.[68] The FCC has never required BOCs to provide information concerning the officers of their corporate parents in prior 271 applications, and has expressly stated that there is no requirement that a BOC outline "the reporting structure" of its affiliate.[69]

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66 Facilitator's Report at 61

67 Griffing Testimony at 133-34

68 *Non-Accounting Safeguards Order* ¶178

69 *BellSouth-Louisiana II Order* ¶ 330

The Staff has also asked QC to explain who serves the functions of Chief Financial Officer and General Counsel at the BOC.[70] There is no Chief Financial Officer at the BOC. Such functions are performed by the BOC's Controller, as indicated in Exhibit MES-272-6.[71] There is no office of General Counsel at the BOC. The BOC receives all of its legal services from Qwest Services Corporation. As noted in prior affidavit, there is no overlap of officers or directors between the BOC and its 272 Affiliate.[72]

C. Section 272(b)(5) – Transactions at Arm's Length, in Writing, and Publicly Available

Section 272(b)(5) requires all transactions between the 272 Affiliate and the BOC to be at arm's length, with any such transactions reduced to writing and available for public inspection. AT&T alleges that QC and QCC's affiliate transaction postings are untimely and insufficiently detailed.[73]

On timeliness, AT&T alleges that QC and QCC have failed to post affiliate transactions within 10 days as required by FCC rules. It refers only to statements by an AT&T witness (whose testimony has not been introduced into the record), which allege that two 1999 transactions were allegedly not posted within that requisite time period but fail to identify the transactions.[74] In any event, every commission to address this

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[70] Gelfing Testimony at 133-34.

[71] I note one change in Exhibit MES- 272-6. Brian Treadway is now Controller.

[72] Schwartz Aff. at 16

[73] AT&T Comments at 8

[74] AT&T Comments at 14 (citing Stoltzek Minnesota Affidavit ¶¶ 66 (d-e), 67).

issue has found that Qwest now satisfies this element of Section 272(b)(5).[75] The New Mexico Commission, for example, found that "as called for by the Facilitator, the KPMG Supplemental Review confirmed that QC is now posting affiliate transactions to the Qwest website' and is 'billing or booking these transactions ...'"[76]

AT&T also asserts that QC should be required to provide more information than the FCC requires a Section 272 website to provide. QC has modeled its website after those approved by the FCC in other 271 cases, and its postings contain all of the information required by the FCC: rates, terms, conditions, frequency, number and type of personnel, and level of expertise, length of time required to complete the transaction, and special equipment used.

The FCC has made clear that while transactions must be available for public inspection, it would "continue to protect the confidential information of BOCs."[77] Indeed, the FCC has already rejected AT&T's identical complaint in *SBC Texas*. In that case, SBC stated that it would not post "the billing details about individual occurrences of service provided pursuant to its agreements," such as "periodic billing," in light of the competitively sensitive nature of such details and instead made the information available at BOC headquarters to interested parties who sign a non-disclosure

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75 *See* Nebraska Order at 16 (finding that QCC is currently posting transactions on a timely basis and that Qwest LD did so as well). *See also Facilitator's Report* at 60-62 (rejecting AT&T's arguments of untimely posting as rooted in "an illogical conception" of when a company becomes a 272 affiliate and stating that KPMG examination shall verify compliance with requirement of timely posting); Montana Order at 30-31 (agreeing with Facilitator); North Dakota Order at 40 (agreeing with Facilitator); Colorado *Order* at ¶ 64 (agreeing with Facilitator and finding that KPMG examination has now demonstrated compliance with Section 272(b)(5))

76 New Mexico Order ¶ 30

77 *See* Report and Order, *Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996*, 11 FCC Rcd 17539 ¶ 122 (1996) ("Accounting Safeguards Order")

agreement.[78] AT&T claimed that this level of disclosure did not satisfy Section 272(b)(5), but the FCC rejected AT&T's concerns, finding that the "nondisclosure agreement has not adversely affected [SBC's] ability to comply with section 272(b)(5) to date because all transactions were properly posted on the Internet."[79] QC has demonstrated that its Internet postings comply with the FCC's public disclosure requirements, and its willingness to provide access to additional confidential information at its principal place of business is fully consistent with FCC requirements.[80]

AT&T also argues that *SBC Texas* "does not state that the BOC need not post the detail or volume of transactions,"[81] but only generally that the postings at issue there "were sufficiently detailed."[82] As noted above, in fact the FCC rejected *precisely the same claim by AT&T* about billing detail that it raises here, challenging precisely the same policy by SBC. As the New Mexico Commission has found, "Qwest's disclosures generally provide the same level of detail respecting the rates, terms, and conditions of its affiliate transactions that SBC and Verizon provide on their Websites."[83] The

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78 SBC Brief in Support of Application by Southwestern Bell for Provision of In-Region, InterLATA Services in Texas (filed Jan. 10, 2000) at 66; Affidavit of Tom Weckel (filed Jan. 10, 2000) at ¶ 84.

79 *SBC Texas Order* ¶ 407.

80 *Id. See also Accounting Safeguards Order* ¶ 122. AT&T refers to the public availability of the results of the biennial audit following Section 271 approval. *See* 47 U.S.C. § 272(d)(2). That statutory requirement with respect to the biennial audit has no bearing on the question of whether AT&T is required to execute a confidentiality agreement to review billing detail with respect to transactions between Qwest and QCC.

81 AT&T Comments at 17.

82 *Id.*

83 *New Mexico Order* at ¶ 30.

Washington Commission similarly concluded that QC's web site disclosures are "comparable to the scope of information available on the other RBOC websites."[84]

IV. THE BOC HAS PROCESSES IN PLACE TO SATISFY SECTION 272(C)

A. Section 272(c)(1) – Nondiscrimination Safeguards

Section 272(c)(1) prohibits the BOC from discriminating between the 272 Affiliate and any other IXC in the provision or procurement of goods, services, facilities, and information, or in the establishment of standards. The BOC has committed to providing its services to all of its IXC customers, including the 272 Affiliate, on a nondiscriminatory basis. The Multistate Facilitator accepted these commitments, and rejected AT&T's Section 272(c)(1) arguments.[85] And every commission to address this provision has found that QC complies with it.[86]

AT&T claims that QC "undertakes a business case analysis" to determine whether to provide a new service requested by QCC, but does not do so for unaffiliated IXCs.[87] The business case analysis that the BOC undertakes in this situation is not, however, a service it provides with or for QCC; it is an internal analysis provided by the BOC to determine that Section 272 requirements are met, including requirements of Section 272(c)(1). This analysis is performed by the Compliance Oversight Team and as I noted in my prior affidavit, QCC is not a member of, and is not represented on, the

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84 Washington Order at ¶ 155.

85 Facilitator's Report at 69-70.

86 *See* Nebraska Order at ¶¶ 17-19; New Mexico Order at 37-41; Montana Order at 33-34.

87 AT&T Comments at 19.

Compliance Oversight Team.[88] Even the Minnesota ALJ, upon whose recommendations AT&T otherwise relies, found no merit in AT&T's allegation that this process for evaluating service requests is discriminatory.[89]

AT&T next argues that QC's lack of prompt billing of QCC during the transition period described above, and its inadvertent failure in transition to QCC to include interest charges for late payments, constituted discriminatory treatment. That failure was promptly corrected in July 2001, and QCC was billed for and has paid all appropriate interest charges on these late bills. Since the transition, billing has been undertaken promptly, and interest is charged in late payments in accordance with the Master Services Agreement, which was revised to include such an interest requirement (as was included for QC's prior 272 affiliate). There has therefore been no favorable treatment accorded to QCC with respect to billing.

Finally, AT&T argues that if the BOC obtains services from QCC, it might not make those services available as "local exchange services" under Section 251. AT&T fails to identify any facts in support of any claim relevant to QC's obligations under Section 272 in this respect.

B. Section 272(c)(2) – Compliance With Accounting Principles

Section 272(c)(2) requires the BOC to account for all transactions with the 272 Affiliate in accordance with accounting principles designated or approved by the FCC. I have already addressed AT&T's claims regarding this issue. Its claims on 272(c)(2) are

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[88] Schwartz Aff. at 21.

[89] MN ALJ Decision at ¶ 167.

encompassed by its discussion of accounting requirements "in the context of § 272(b)(2)."[90] I have responded to those claims above.

V. THE BOC WILL SATISFY SECTION 272(d) – BIENNIAL AUDIT

Section 272(d) requires that, once the BOC receives Section 271 authority, it must obtain and pay for a joint federal/state audit every two years. Despite AT&T's claim that "Qwest asks the Commission to put substantial faith in this audit process," it is the Congress that has created this safeguard and the FCC that has placed reliance on its existence in consideration of Section 271 applications.[91] In the Bell Atlantic-New York Order, for example, the FCC stressed -- in response to concerns raised by AT&T about Bell Atlantic's web postings -- that the BOC "will undergo a thorough and systematic review in the section 272(d) biennial audit, which will ensure that any failures to post are identified in time for appropriate remedial action."[92]

VI. THE BOC COMPLIES WITH SECTION 272(e) – FULFILLMENT OF CERTAIN REQUESTS.

Section 272(e) contains express requirements ensuring that the BOC treats the 272 Affiliate similarly to other IXCs with respect to special and switched access. Again,

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90 AT&T Comments at 21.

91 Memorandum Opinion and Order, *Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Service in the State of New York*, 15 FCC Rcd 3953 (1999) ¶ 412 ("Bell Atlantic-New York Order"), *aff'd sub nom AT&T Corp. v. FCC*, 220 F.3d 607 (D.C. Cir. 2000); *SBC-Texas Order* ¶ 408, Memorandum Opinion and Order, *Joint Application by SBC-Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services d/b/a Southwestern Bell Long Distance for Provision of In-Region InterLATA Services in Kansas and Oklahoma*, 16 FCC Rcd 6237 (2001) ¶ 260, modified Sprint Communications Co. v. FCC, 274 F 3d 549 (D.C. Cir. 2001)

92 *Bell Atlantic-New York Order* ¶ 412.

AT&T is the only competitor to question QC's stated intent to comply with these requirements upon obtaining Section 271. AT&T asserts that QC has not been able to "carry its burden with respect to compliance with § 272(e)(1)."[93]

As stated in my previous testimony, "[t]he BOC does not and will not discriminate in favor of the 272 Affiliate in the provision of telephone exchange service or exchange access."[94] Moreover, QC has controls in place that will assure compliance with Section 272(e). Specifically, as stated in my previous affidavit, when the 272 Affiliate requests exchange access services, it will contact its Sales Executive Team representative for these tariffed services through the same procedures that are available to other interexchange carriers and these IXC representatives will process orders in a nondiscriminatory manner.[95] As I explained in my earlier affidavit and the accompanying exhibits demonstrate, QC has also conducted extensive training for its staff members on all of the requirements of Section 272, including those in Section 272(e).[96]

The Multistate Facilitator has concluded that the foregoing constitute "adequate measures to assure" that QC will comply with Section 272(e)'s non-discrimination requirements.[97] The Montana Commission has agreed in its preliminary report.[98] The

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[93] AT&T Comments at 24.

[94] Schwartz Aff. at 31.

[95] *Id.* at 31-32.

[96] See *id.* at 33-35. QC's training covers Section 272(e) and makes clear to employees that "QC is prohibited from providing any facilities, services, or information concerning its provision of exchange access to QCC unless such facilities, services, or information are made available to other providers of interLATA services under the same terms and conditions." See *id.*; MES-272-16, at 11.

[97] Facilitator's Report at 12, 69-70.

Nebraska Commission also found that QC had "committed not to discriminate in favor of QCC in the provision of telephone exchange service or exchange access services."[99] And the New Mexico Commission similarly found QC in compliance with all four requirements of section 272(e) and noted that QC had "implemented practices and procedures that go toward preventing discrimination in favor of QCC in the provision of telephone exchange service or exchange access service."[100]

AT&T insists that QC must now disclose data on the time it takes to provide these Section 272(e)(1) services to its 272 Affiliate, to permit a comparison with provisioning intervals for unaffiliated carriers.[101] However, the BOC will have no data to compare provisioning intervals between affiliated and unaffiliated providers of in-region interLATA services until QCC begins providing such services. For this reason, the FCC has made clear that Section 272(e)(1) "applies only when a BOC has an operational section 272 affiliate,"[102] and has proposed only that BOCs commit that they "*will* maintain" the required information "upon receiving permission to provide interLATA services pursuant to section 271."[103]

Before receiving such permission, and thereupon initiating in-region, interLATA service through QCC, QC (like other BOCs) can only commit that when it does so it will

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98 Montana Report at 34-35.

99 Nebraska Order at ¶ 20.

100 New Mexico Order at ¶¶ 47-48.

101 AT&T Comments at 23.

102 Notice of Proposed Rulemaking, *Performance Measurements and Standards for Interstate Special Access Services*, Notice of Proposed Rulemaking, 16 FCC Rcd 20896 ¶ 10 (2001).

103 Non-Accounting Safeguards Order at ¶ 369. (emphasis added)

maintain, update, and make available the data on provisioning these services to QCC pursuant to the FCC's requirements. QC commits to do so, and is prepared to keep such data in a format previously deemed acceptable by the FCC. Such a commitment was accepted as sufficient in *SBC-Texas*,[104] *Bell Atlantic-New York*[105], *and Verizon-Massachusetts*.[106] Moreover, the FCC will have ample opportunity to verify QC's compliance with Section 272(e)(1) after it receives 271 approval. QC will regularly maintain, update, and make available information allowing for a comparison of service intervals for affiliated and unaffiliated carriers in accordance with FCC requirements, and its compliance record will also be thoroughly reviewed as part of the biennial audit. Objective VIII of the Biennial Audit Procedures is specifically directed at the question of Section 272(e)(1) compliance.[107]

[104] *See, e.g., SBC-Texas Order* ¶ 412 & n. 1198, finding compliance with 272(e)(1) on the basis of evidence from Affidavit of Kathleen M. Rehmer, *In the Matter of Application by SBC Communications, Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision In-Region, InterLATA Services in Texas*, filed Jan. 10, 2000, ¶¶ 33-39 & Att. D.

[105] *Bell Atlantic-New York* ¶ 418 & n. 1290 (1999), finding compliance with 272(e)(1) on the basis of evidence from Declaration of Susan C. Browning, *In the Matter of Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Service in the State of New York*, filed Sep. 22, 1999, ¶¶ 17-18 & Att. J.

[106] *Memorandum Opinion and Order, Application by Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions) And Verizon Global Networks Inc. For Authorization to Provide In-Region InterLATA Services in Massachusetts*, 16 FCC Rcd 8988 ¶ 230 & n. 747, finding compliance with 272(e)(1) on the basis of evidence from Affidavit of Susan C. Browning, In the Matter of Application of Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions) and Verizon Global Networks Inc. For Authorization to Provide In-Region InterLATA Services in Massachusetts, filed Sep. 21, 2001, ¶ 16 & Att. Q.

[107] *See General Standard Procedures* of Biennial Audits Required Under Section 272 of the *Communications Act of 1934*, attached to Schwartz Aff. as Ex. MES-272-14, at 42-44.

VII. CONCLUSION

Both QC and QCC have demonstrated that they will satisfy Section 272 of the Act, as well as the FCC's related rules, and have taken steps to ensure their continued compliance. Additionally, they have undertaken employee training and awareness efforts to assure continued satisfaction of Section 272. QC understands its obligations under Section 272 and is dedicated to satisfying these obligations. In light of its demonstration of compliance with Section 272 in accordance with FCC precedent, QC respectfully requests that the Commission recommend to the FCC that QC complies with Section 272

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE INVESTIGATION INTO QWEST CORPORATION'S COMPLIANCE WITH SECTION 271(C) OF THE TELECOMMUNICATIONS ACT OF 1996	)	DOCKET TC 01-

QWEST CORPORATION'S

EXHIBITS TO THE REBUTTAL AFFIDAVIT

OF

MARIE E. SCHWARTZ

SECTION 272

APRIL 2, 2002

INDEX OF EXHIBITS

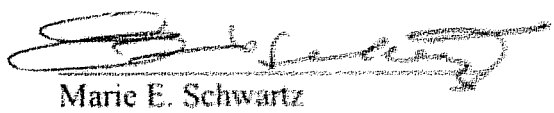
DESCRIPTION	EXHIBIT
Qwest Submission of Results of Independent Testing	MES-272-19
KPMG Report	MES-272-20
Marie E. Schwartz November 15, 2001 Affidavit	MES-272-21
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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

In the Matter of the Investigation into Qwest Corporation's Compliance with Section 271(c) of the Telecommunications Act of 1996	)	**Docket No. TC01-165**

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

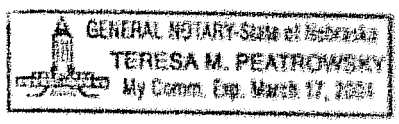
Executed this 25 day of March, 2002.

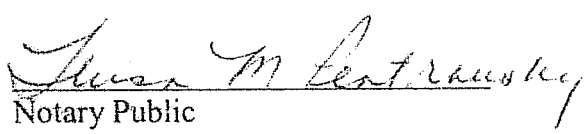


Marie E. Schwartz

STATE OF NEBRASKA)
)
COUNTY OF DOUGLAS)

Subscribed and sworn before me this 25 day of March, 2002.





Notary Public

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of Qwest Corporation's Motion for an Alternative Procedure to Manage the Section 271 Process	Case No. USW-T-00-3

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE QWEST CORPORATION	DOCKET NO. INU-00-2

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the Investigation Into Qwest Corporation's Compliance with Section 271 of the Telecommunications Act of 1996	Docket No. D2000.5.70

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Qwest Corporation Section 271 Compliance Investigation	Case No. PU-314-97-193

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Qwest Corporation for Approval of Compliance with 47 U.S.C. § 271(d)(2)(B)	Docket No. 00-049-08

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF QWEST CORPORATION REGARDING 271 OF THE FEDERAL TELECOMMUNICATIONS ACT OF 1996, WYOMING'S PARTICIPATION IN A MULTI-STATE SECTION 271 PROCESS, AND APPROVAL OF ITS STATEMENT OF GENERALLY AVAILABLE	DOCKET No. 70000-TA-00-169

BEFORE THE NEW MEXICO REGULATION COMMISSION

IN THE MATTER OF Qwest Corporation's Section 271 Application and Motion for Alternative Procedure to Manage the Section 271 Process	Utility Case No. 3269

Qwest's Submission of Results of Independent Testing

Qwest Corporation (the "BOC") herewith respectfully submits the attached report ("KPMG Report") of KPMG LLP ("KPMG"), conducted in accordance with the recommendation in Part IV (Section 272) of the Multistate Facilitator's Report on Group 4 Issues: General Terms and Conditions, Section 272 and Track A, dated September 21, 2001 ("Report"). Additionally, the affidavits of Judith L. Brunsting and Marie E. Schwartz are attached. These affidavits address the findings of the KPMG Report and the controls enhanced in response thereto.

Introduction

Earlier this year, the BOC engaged in what the Facilitator concluded were "substantial efforts" to retool Qwest Communications Corporation ("the 272 Affiliate") to be its future provider of in-region interLATA service. Report at 53-54. In order to validate and reinforce these efforts, the BOC has now taken the further unprecedented and valuable step recommended by the Facilitator of submitting to a *pre-approval* review of its Section 272 accounting controls.

As noted below in greater detail, the KPMG Report concludes that except in 12 instances, both the BOC and the 272 Affiliate complied in all material respects with the applicable FCC accounting rules. KPMG's examination was comprehensive. It did not exclude transactions of a *de minimis* nature (*see id.* at 56): at least half of these 12 instances had a financial impact of less than $25,000.[1] Nor was it confined to transactions in which the BOC was the "vendor or supplier" of services to the 272 Affiliate (*see id.* at 54): seven of them involved the provision of services *from* the 272 Affiliate *to* the BOC. Nor did KPMG limit its review to transactions in which the error resulted in the kind of "anticompetitive discrimination and cost-shifting" against

which Section 272 was designed to protect:[2] the net financial impact of all 12 transactions worked to the 272 Affiliate's *detriment*. The overarching goal of Section 272's separation and nondiscrimination provisions is to prevent the BOC from advantaging its 272 affiliate over that affiliate's competitors.

Most of these transactions also involved errors previously identified by the BOC and the 272 Affiliate themselves. Nevertheless, because they take their 272 responsibilities seriously and strive to improve procedures to aid in compliance with those requirements, the BOC and the 272 Affiliate have undertaken a careful review of KPMG's findings, in an effort to identify aspects in which their existing controls can be strengthened in preparation for the 272 Affiliate's future provision of in-region interLATA service. As set forth in the attached affidavits, they have taken the appropriate steps to correct these errors, and are reinforcing and supplementing training programs and other controls to assist them in their ongoing efforts to ensure procedures "reasonably designed to prevent, as well as detect and correct, any noncompliance with section 272."[3] As the FCC has recognized, the requirements of further expert review through section 272(d) biennial audits following 271 authorization also "will provide an appropriate mechanism for detecting potential anticompetitive or otherwise improper conduct."[4] In light of all of these

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[1] The Facilitator concluded that "the concept of materiality should remain a part of evaluating compliance with § 272(b)(2)," based on the universe of transactions between the BOC and the 272 Affiliate during the relevant time period. Report at 9, 56.

[2] Report and Order, *Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996*, 11 FCC Rcd 17,539 (1996) ("*Accounting Safeguards Order*"); First Report and Order and Further Notice of Proposed Rulemaking, *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as Amended*, 11 FCC Rcd 21,905 ¶ 9 (1996) ("*Non-Accounting Safeguards Order*").

[3] Memorandum Opinion and Order, *Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Texas*, 15 FCC Rcd 18,354 ¶ 398 (2000) ("*SBC Texas Order*"); Memorandum Opinion and Order, *Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Services in the State of New York*, 15 FCC Rcd 3953 ¶ 405 & n.1251 (1999), *aff'd sub nom. AT&T Corp. v. FCC*, 220 F.3d 607 (D.C. Cir. 2000) ("*BANY Order*").

[4] *SBC Texas Order* ¶ 406. *See also BANY Order* ¶ 412.

factors, the record now convincingly demonstrates that, when granted, the BOC's future Section 271 authorizations "will be carried out in accordance with the requirements of section 272." 47 U.S.C. § 271(d)(3)(B).

Background

The Facilitator concluded that "[t]he record demonstrates that Qwest has met . . . each of the separate affiliate requirements established by section 272 of the Telecommunications Act of 1996." Report at 7. In reaching this conclusion, the Facilitator examined the record with respect to both of the BOC's successive Section 272 affiliates: U S WEST Long Distance, Inc. (subsequently renamed Qwest Long Distance, Inc. ("Qwest LD")), and the 272 Affiliate, which became the BOC's designated 272 affiliate effective March 26, 2001.

With respect to the extensive prior record of Qwest LD over many years, the Facilitator found nothing in the record of "sufficient concern to warrant special measures." *Id.* at 54. With respect to the 272 Affiliate, the Facilitator acknowledged the "substantial efforts" that the BOC undertook during the recent transition to its newly designated 272 Affiliate "to bring its transactions, both past and current, into compliance with applicable accounting requirements." *Id.* In order to test the "current and future effectiveness of the[se] recent improvement efforts" following the completion of that transition, the Facilitator recommended that the BOC arrange for independent testing of transactions between the BOC and the 272 Affiliate covering the ensuing period from April through August 2001. He recommended that the BOC provide the results of the independent testing, along with supporting workpapers, to the seven multistate commissions by November 15, 2001. *Id.* at 8, 54.[5]

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[5] In accordance with the American Institute of Certified Public Accountants Professional Standards, AT § 9100.56; AU § 339.02-.08; AU § 9339.02 (2000)), KPMG will make these workpapers available to the seven state commissions for their review, subject to confidentiality restrictions, at mutually convenient times and locations in each of the seven states.

The Facilitator determined that the third-party evaluation is intended to provide "adequate assurances" that the 272 Affiliate is prepared to comply with certain provisions of Section 272 upon receipt of Section 271 authority. *Id.* Such assurances do not require "perfection," which is a standard that "could not be met in . . . the operations of any wholesale supplier." *Id.* at 56. As noted above, the significant question here is whether the BOC and the 272 Affiliate have sufficient controls in place that are "reasonably designed to prevent, as well as detect and correct, any noncompliance with section 272."[6]

Summary of KPMG Report

KPMG examined transactions that occurred between the BOC and the 272 Affiliate during the period April through August 2001. During the course of its examination, KPMG found items in its testing that confirm the BOC's earlier testimony that a number of transactions related to the transition of the 272 Affiliate were discovered and corrected to effect Section 272 compliance. With respect to new transactions occurring during the five-month test period, KPMG determined that except for 12 instances identified in the attached KPMG Report, the BOC complied "in all material respects" with Sections 272(b)(2), (b)(5), and (c)(2) and the applicable FCC accounting rules.[7]

The exceptions noted in the KPMG Report do not raise any of the anti-competitive and cross-subsidization concerns underlying the relevant Section 272 requirements. The underlying purpose of the affiliate pricing rules and the accounting requirements of Sections 272(b)(2) and

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[6] *SBC Texas Order* ¶ 398 (2000); *BANY Order* ¶ 405 & n.1253.

[7] KPMG's comprehensive examination also identified instances of noncompliance during the testing period that KPMG determined were not material. KPMG's analysis of discrepancies divided instances of noncompliance into four categories: Type 1 includes items that occurred before the examination period and were corrected during the period; Type 2 includes items that occurred during the examination period and were corrected during the period; Type 3 includes items that KPMG determined were clerical in nature; and Type 4 includes items that occurred during the examination period and were not resolved during the period. The Type 4 items are those identified in the attached KPMG report.

(CEI) is to ensure that an incumbent LEC does not cross-subsidize its nonregulated activities.[8] The same policy forms the basis for Section 272(b)(5)'s requirement that a 272 affiliate conduct all transactions with the BOC "on an arm's length basis,"[9] and Section 272(c)(1)'s provision that a BOC may not discriminate in favor of its 272 affiliate, which are designed to ensure that "potential competitors do not receive *less favorable* prices or terms, or *less advantageous* services from the BOC than its separate affiliate receives."[10] The instances cited in the attached KPMG Report, and discussed below, do not suggest any policy of the BOC of discriminating in favor of its 272 Affiliate. On the contrary, they involve a net *detriment* to the 272 Affiliate of $2.604 million.

As set forth in the Issue Descriptions included with the KPMG workpapers, in most of these 12 instances, the BOC or the 272 Affiliate themselves detected the need for corrective action. As discussed more fully below, based on its review of the few remaining instances, the BOC is strengthening its internal controls in efforts to prevent any such discrepancies in the future. These instances do not undermine the BOC's showing that it "accepts the separate subsidiary obligation and stands ready to meet it" (Report at 50), particularly after the implementation of these additional controls.

1. Affiliate Pricing Rules. Four of these instances relate not to the question of timely accounting or posting, but rather to the application by the BOC or the 272 Affiliate of the valuation procedures for the FCC's affiliate pricing rules set forth in 47 C.F.R. Part 32. Overall,

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[8] *See* Report and Order, *Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities*, 2 FCC Rcd 1298 ¶¶ 254-56 (1987). *See also* Report and Order, *Accounting Safeguards Under the Telecommunications Act of 1996*, 11 FCC Rcd 17,539 ¶¶ 172, 176 (1996) ("*Accounting Safeguards Order*"). In the *Accounting Safeguards Order*, the FCC determined that it would extend the application of these affiliate pricing rules to transactions between a BOC and its 272 affiliate. *Id.* ¶ 176.

[9] *See Accounting Safeguards Order* ¶ 147 (the valuation rule "guard[s] against cross-subsidization of competitive services by subscribers to regulated telecommunications services").

these instances involve a net detriment to the BOC of only $21,000, and accordingly do not demonstrate any general policy of cross-subsidization or discrimination.

Nor do these transactions reveal any "systemic flaws"[11] in the BOC's compliance with the affiliate pricing rules. As set forth in the Issue Descriptions included with the KPMG workpapers, three of the four instances involved the use of fully distributed cost rather than fair market value.[12] The first of these involved 10 real estate properties made available by the BOC to 272 Affiliate employees; the error had an impact during the examination period of $3,000. The second involved real estate properties provided by the 272 Affiliate to the BOC and resulted in a net detriment to the BOC of about $9,000. The third such transaction resulted from an employee's pricing of lab facility services to the 272 Affiliate at fully distributed cost rather than fair market value, even though a chart designed by the BOC to aid in compliance with these rules had provided the fair market value information. The fourth listed transaction involved using the BOC's rather than the 272 Affiliate's inputs in calculating the 272 Affiliate's fully distributed cost.

While the BOC and the 272 Affiliate strive to properly and accurately calculate and record all of their affiliate transactions, some errors will and do occur. As the Facilitator recognized, perfection is not the relevant standard here. However, in order to continue reducing each company's error rate, the BOC and the 272 Affiliate are instituting additional safeguards at the corporate level of each company to ensure all material intercompany transactions are

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[10] *See* First Report and Order and Further Notice of Proposed Rulemaking, *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, 11 FCC Rcd 21,905 ¶ 206 (1996) (emphasis added).

[11] *BANY Order* ¶ 412.

[12] We note that the FCC has recently eliminated the requirement that carriers undertake fair market value studies for assets as well as services until the total amount of transfers in a given year exceeds $500,000. This change may be implemented by carriers as of January 1, 2001. *See* Report and Order and Further Notice of Proposed Rulemaking, 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting

identified and billed at correct prices. The BOC and 272 Affiliate corporate regulatory compliance groups will improve the formal tracking mechanism for affiliate transactions. This list will be discussed with operational personnel and compared to databases to ensure that it is both complete and accurate. Additionally, the BOC will conduct additional training sessions with all relevant personnel concerning the FCC's affiliate transaction pricing rules. As an additional safeguard, supporting documentation will now be provided to the BOC's FCC Regulatory Accounting Department for verification of affiliate transaction pricing.

2. Timely Accounting and Posting. The remaining category of items identified in the KPMG Report relate to the timeliness of accrual or billing and reducing transactions to writing.[11] Although the combined impact of these eight errors was $2.625 million to the detriment of the 272 Affiliate, one transaction alone accounted for more than 94 percent of that total. Excluding that amount, the net impact of all of these transactions was $146,000 in underbilling of the 272 Affiliate's costs to the BOC. In every one of these cases, the BOC or the 272 Affiliate themselves detected the error. These instances do not reveal any systemic flaws, and Qwest has further strengthened its controls to address them following its review of the KPMG Report:

- The largest of these transactions involved the 272 Affiliate's provision of audio conferencing services to the BOC. Because in-region interLATA services had been spun off to Touch America and because pursuant to that arrangement the 272 Affiliate billed the BOC on Touch America letterhead, the procurement office erroneously assumed that these services were not transactions with an affiliate and failed to process a bill to the

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Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, CC Docket No. 00-199, FCC 01-305 ¶¶ 87-90 (rel. Nov. 5, 2001).

[11] In one of these transactions, there was no untimely accrual or billing, but only a failure to comply with the FCC's posting requirements. Qwest discovered that corporate calling card services, which had been migrated from Qwest LD to the 272 Affiliate with pricing set at prevailing company prices, were not listed. Qwest has strengthened its existing controls by implementing a monthly review of all BOC intercompany payables and establishing a 272 checklist to track all new services provided by the 272 Affiliate to the BOC.

BOC and receive payment. The procurement employee responsible for the nonpayment was reassigned in June 2001, and the processing error has been identified and corrected.

- A similar error involved private line services that previously had been provided to the BOC by Touch America, most of which were not moved to the 272 Affiliate until September and October 2001. Because the 272 Affiliate's order entry system has a Section 271 protection that restricts creation of an in-region account, billing for the re-engineered circuits was not immediately possible, but internal controls nevertheless identified the need to bill and post this transaction, which was accomplished manually (but after the test period). Qwest is now developing an overall automated solution to handle intercompany provision of interLATA services, while maintaining the system's built-in Section 271 protections.

- In the course of the company's annual affiliate transaction repricing, the BOC discovered that it had provided photo identification badges to the 272 Affiliate's employees without recharging the service to writing, posting it, and billing it properly. Having detected and corrected the problem through existing controls, the BOC will minimize further discrepancies by conducting additional training to emphasize the use of department and responsibility codes so new badges can be charged to the appropriate entities on a timely basis.

- Internal controls also detected a failure to identify for affiliate transaction purposes the BOC's pre-merger lease of a dark fiber link in Utah from the 272 Affiliate. Regulatory Accounting subsequently obtained a copy of the lease and developed and posted a Task Order and corrected the billing error. Qwest Network Construction Services has now instituted procedures for quarterly review of billing systems and for immediate notification to the 272 Affiliate regarding any actual or proposed transaction with the BOC.

- The BOC became aware that a total of 40 out of approximately 64,000 BOC employees, including 10 scattered among nine out-of-region facilities, were occupying the 272 Affiliate's real estate and using its PBX services. Qwest has added audit processes to its Human Resources and Real Estate organizations to detect movements of small numbers of employees in the future.

- During the transition of the 272 Affiliate, experienced BOC finance personnel performed a very minor project for the Affiliate, involving the calculations of FDC values for affiliate pricing rule purposes. That work totaled approximately $1000, and was not billed. The BOC has corrected the error and strengthened its notifications to finance personnel regarding time reporting for *any* services provided to affiliates.

- The BOC provides several types of services to the 272 Affiliate related to small business and consumer services under a properly posted and billed work order. The BOC found that the work of two employees who had been handling data entry related to such services had been missed in these routine billings. The BOC has corrected the error and enhanced its reviews and training regarding Section 272 requirements.

Conclusion

As discussed above, in response to these findings, the BOC is implementing strengthened controls, which serve to reinforce the "substantial efforts" (Report at 54) already undertaken to prepare the 272 Affiliate to comply with the separate affiliate requirements. These additional controls confirm that there are "reasonable assurances" (*Id.*) that the BOC and the 272 Affiliate will provide the level of accuracy, completeness, timeliness and arm's length conduct required by Section 272. As to the first category of exceptions in the KPMG Report (affiliate pricing), the BOC will conduct additional training sessions and document review to ensure compliance with the FCC's valuation procedures. With respect to the second category (timely billing and accruing of transactions), the BOC is instituting new procedures, additional regular review processes, and further training to ensure procedures "reasonably designed to prevent, as well as detect and correct, any noncompliance with section 272."[14] The requirements of further expert review through Section 272(d) biennial audits following 271 authorization will supplement these controls to aid in the efforts of the BOC and the 272 Affiliate to comply with the separate affiliate requirements.

In light of the BOC's and the 272 Affiliate's strengthened controls, and the prior record of compliance by Qwest LD and the 272 Affiliate with all of the other requirements of Section 272, as confirmed by the Facilitator, the BOC respectfully requests that the Commission endorse the Facilitator's conclusion that "[t]he record demonstrates that Qwest has met . . . each of the separate affiliate requirements established by section 272 of the Telecommunications Act of 1996." Report at 7.

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[14] *SBC Texas Order* ¶ 398; *BANY Order* ¶ 405 & n.1253.

QWEST CORPORATION

Report of Independent Public Accountants

Attestation Examination with respect to –
Report of Management on Compliance with Applicable Requirements of Section 272 of the Telecommunications Act of 1996

November 9, 2001

[redacted]

Report of Independent Public Accountants

To the Management of Qwest Corporation and the regulatory utility commissions for the following states:

[redacted] Montana, New Mexico, North Dakota, Utah and Wyoming (collectively the State Commissions):

We have examined management's assertion, included in the accompanying *Report of Management on Compliance with Applicable Requirements of Section 272 of the Telecommunications Act of 1996*, that Qwest Corporation (the Company) complied with certain aspects of Section 272 of the Telecommunications Act of 1996 (the Act) and associated Federal Communications Commission (FCC) rules and regulations (specifically Sections 272(b)(2), 272(b)(5) and 272(e)(2) of the Act, C.F.R. Section 32.27 and CC Docket No. 96-150, paragraph 122) during the period from April 1, 2001 to August 31, 2001 (the examination period). Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

Our examination disclosed the following instances of noncompliance with certain aspects of Section 272 of the Act and associated FCC rules and regulations (specifically Sections 272(b)(2), 272(b)(5) and 272(e)(2) of the Act, C.F.R. Section 32.27 and CC Docket No. 96-150, paragraph 122) during the period from April 1, 2001 to August 31, 2001:

- We noted the following instances in which the Company did not comply with the FCC's affiliate transaction pricing rules (C.F.R. Section 32.27) during the examination period as required in Sections 272(b)(5) and 272(c)(2) for transactions between the Bell Operating Company (the Qwest BOC) and the Section 272 affiliate (the Qwest 272 Affiliate)

	Description	Management's estimated impact during the examination period (pre-tax) ($ in 000s)
	Services provided by the Qwest BOC:	
A	Fair market value (FMV) studies were not performed for ten real estate properties for which FMV studies were required. The ten properties were billed at fully distributed cost (FDC).	$ 3
B	In pricing the service charge for access to a lab facility, FDC pricing was used instead of a required FMV amount. In this instance, FMV exceeded FDC for such service.	31
	Services provided by the Qwest 272 Affiliate:	
C	FMV studies were not performed for nine real estate properties for which FMV studies were required. The nine properties were billed at FDC	(9)
D	In developing the FDC rate for the service of leasing test equipment, incorrect data inputs were utilized.	22
	Net understatement of Qwest BOC's revenue and corresponding net understatement of Qwest 272 Affiliate's expenses during the examination period related to items A through D above.	21

- We noted the following instances in which the Company did not process accounting entries and affiliate billings (including interest, as necessary) and did not reduce to writing certain services provided between the Qwest BOC and the Qwest 272 Affiliate during the examination period as required by Sections 272(b)(2), 272(b)(5) and 272(c)(2) of the Act and CC Docket No. 96-150, paragraph 132

	Description		Management's estimated impact during the examination period (pre-tax) ($ in 000s)
Services provided by the Qwest BOC:			
E	Plant identification services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.	$	16
F	A certain finance service was provided but not accounted for or billed (including interest charges) during the examination period.		1
G	Data entry services regarding out-of-region long-distance orders were provided but not accounted for or billed (including interest charges) during the examination period.		64
Services provided by the Qwest 272 Affiliate:			
H	The lease agreement for fiber optical capacity was not accounted for, billed (including interest charges) or posted to the website during the examination period.		111
I	Real estate occupancy services and the use of PBX services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.		74
J	Audio conferencing services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.		2,479
K	Private line circuits for in-region interLATA official communication services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.		42
L	Calling card services were provided but not reduced to writing during the examination period.		0
Net understatement of Qwest BOC's expenses and corresponding net understatement of Qwest 272 Affiliate's revenues during the examination period related to items E through L above.			2,625
Net understatement of Qwest BOC's expenses and corresponding net understatement of Qwest 272 Affiliate's revenues during the examination period related to all noted exceptions.		$	2,604

In our opinion, except for the instances of noncompliance described above, Qwest Corporation complied, in all material respects, with the aforementioned requirements for the period from April 1, 2001 to August 31, 2001.

This report is intended solely for the information and use of management of the Company and the State Commissions and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Denver, Colorado
November 9, 2001

[redacted]

Qwest

Report of Management on Compliance with Applicable Requirements of Section 272 of the Telecommunications Act of 1996

Management of Qwest Corporation ("QC" or the "Company") is responsible for ensuring the Company's compliance with the applicable requirements of Section 272 of the Telecommunications Act of 1996 and regulations related thereto as promulgated by the Federal Communications Commission ("FCC") ("Section 272 and Related Regulations") as set forth in Section IV of the Seven-state Collaborative Group Liberty Consulting report (the "Liberty Report") dated September 21, 2001.

Management has performed an evaluation of the Company's compliance with the applicable requirements of Section 272 and Related Regulations as set forth in the Liberty Report, including those described below, for the period April 1, 2001 through August 31, 2001 (the "Evaluation Period"). Based on this evaluation, we assert that during the Evaluation Period, the Company has complied with all applicable requirements of Section 272 and Related Regulations as set forth in the Liberty Report. In particular, the Company did the following:

(a) We have implemented adequate controls to assure the accurate, complete, and timely recording in our books and records of all affiliate transactions between Qwest Corporation (QC), the BOC, and Qwest Communications Corporation (QCC), the Section 272 affiliate, in compliance with Section 272 (b)(1) Separate Books, Records and Accounts, and Section 272 (b)(5).Transactions at Arm's Length, to Be Kept and Publicly Available.

(b) We have implemented adequate controls to assure that the relationship between QC, as a vendor or supplier of goods and services, and QCC has been managed in an arm's length manner in compliance with the provisions of Section 272(c), Nondiscrimination Safeguards, which include consideration of what would be expected under normal business standards for similar contracts with an unaffiliated third party.

(c) We have provided reasonable assurances that a continuation of the practices and procedures examined will continue to provide the level of accuracy, completeness, timeliness and arm's length conduct required by Sections 272(b)(2) & (5) and 272(c).

(d) We have implemented sufficient control procedures to assure that an officer of QC will sign the Officer Certification required in CC Docket 96-150 in ¶122. This certification will be signed annually in concurrence with the certification letter that accompanies the ARMIS 43-03 report filed with the FCC on April 1.

Qwest Corporation

Dated: November 9, 2001

Mark A. Schumacher

Vice President – Corporate Controller

BEFORE THE IOWA PUBLIC UTILITIES COMMISSION

In the Matter of Qwest Corporation's Waiver for an Alternative Procedure to Satisfy the Section 271 Process	Case No. USW-T-00-3

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

In re: [illegible]	DOCKET NO. INU-00-2

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

In the Matter of the investigation into Qwest Corporation's compliance with Section 271 of the Telecommunications Act of 1996	Docket No. D2000.5.70

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Qwest Corporation Section 271 Compliance Investigation	Case No. PU-314-97-193

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Qwest Corporation for Approval of Compliance with 47 U.S.C. § 271(d)(2)(B)	Docket No. 00-049-08

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF QWEST CORPORATION REGARDING 271 OF THE FEDERAL TELECOMMUNICATIONS ACT OF 1996, WYOMING'S PARTICIPATION IN A MULTI-STATE SECTION 271 PROCESS, AND APPROVAL OF ITS STATEMENT OF GENERALLY AVAILABLE	DOCKET No. 70000-TA-00-599

BEFORE THE NEW MEXICO REGULATION COMMISSION

IN THE MATTER OF Qwest Corporation's Section 271 Application and Waiver for Alternative Procedure to Satisfy the Section 271 Process	Utility Case No. 3269

AFFIDAVIT OF

STATE OF)
)ss.
COUNTY OF)

Marie E. Schwartz states as follows:

My name is Marie E. Schwartz. My business address is 1314 Douglas-On-The-Mall Floor 10, Omaha, Nebraska 68102. I am a Director in FCC Regulatory Accounting at Qwest Corporation and am responsible for ensuring Qwest Corporation's regulatory accounting compliance with Section 272 of the Telecommunications Act of 1996 ("the Act").

The KPMG LLP attestation identified some transactions with Qwest Communications Corporation ("the 272 Affiliate") that were neither properly processed nor posted. Qwest Corporation ("the Qwest BOC") is correcting all of the identified discrepancies by posting the transactions on the website where needed and by billing and booking these transactions in the October and November accounting records.

Qwest BOC has also implemented and is in the process of implementing several new internal controls intended to provide reasonable assurance that intercompany transactions initiated by the Qwest BOC are identified, reduced to writing, accurately processed and posted. Specifically, the Qwest BOC has put in place or will have in place by December 3, 2001 the following controls for the identified discrepancies:

Discrepancy A: Fair market value ("FMV") studies were not performed for ten real estate properties for which FMV studies were required. The ten properties were billed at fully distributed cost ("FDC").

This discrepancy occurred because work orders were priced without a review for proper determination of whether FMV or FDC should have been used. A new control

is being implemented that requires the Business Unit Affiliate Manager's (BUAM) supervisor review the calculation to ensure both a FDC and a FMV analysis has been completed. Any work order without this support will not be processed by the BUAM. This enhanced control is designed to ensure that a FMV study is performed, proper pricing is applied, and that the work order will be processed accurately. The Regulatory Accounting organization will expand its control sheets to provide additional detail which will allow them to verify that an FMV and FDC study has been performed for all services.

Discrepancy B: In pricing the service charge for access to a lab facility, FDC pricing was used instead of a required FMV amount. In this instance, FMV exceeded FDC for such service.

This discrepancy was not discovered on a timely basis because information was informally shared over the telephone and back up support was not received by the FCC Regulatory Accounting organization. Current controls will be enhanced to require supervisor review of the control sheet verifying on a quarterly basis that all documentation has been received.

Discrepancy E: Photo identification services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.

This discrepancy was discovered during the annual re-pricing of affiliate services. After the merger, the duties of the Real Estate department were expanded to issue badges for the 272 Affiliate. As a result, the data necessary for proper billing was not included on the application form and no billing was taking place. Employees at the access control centers will be retrained to ensure that a valid department or responsibility code will be provided.

Discrepancy F: A certain financial service had been provided but not accounted for or billed (including interest charges) during the examination period.

This discrepancy occurred because providing the service was a one time event with a minimal amount of time required to complete the service. Monthly requests for billing information have been strengthened to remind employees all time, no matter how minimal, needs to be reported.

In addition to the specific controls listed above, Qwest is initiating additional training that will reinforce compliance requirements with Section 272(b)(2) and Section 272(c)(1).

I hereby swear and affirm that the statements and data contained in the attached audit are true and correct to the best of my knowledge and belief.

MARIE E. SCHWARTZ

SUBSCRIBED AND SWORN before me this 15 day of November, 2001.

Notary Public

My Commission Expires:

March 17, 2004

GENERAL NOTARY-State of Nebraska
TERESA M. PEATROWSKY
My Comm. Exp. March 17, 2004

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of Qwest Corporation's Motion for an Alternative Procedure to Manage the Section 271 Process	)	Case No. USW-T-00-3

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

In re	)	DOCKET NO. INU-00-2
QWEST CORPORATION	)	

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the Investigation Into Qwest Corporation's Compliance with Section 271 of the Telecommunications Act of 1996	)	Docket No. D2000.5.70

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Qwest Corporation Section 271 Compliance Investigation	)	Case No. PU-314-97-193

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Qwest Corporation for Approval of Compliance with 47 U.S.C. § 271(d)(2)(B)	)	Docket No. 00-049-08

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF QWEST CORPORATION REGARDING 271 OF THE FEDERAL TELECOMMUNICATIONS ACT OF 1996, WYOMING'S PARTICIPATION IN A MULTI-STATE SECTION 271 PROCESS, AND APPROVAL OF ITS STATEMENT OF GENERALLY AVAILABLE	)	DOCKET No. 70000-TA-00-599

BEFORE THE NEW MEXICO REGULATION COMMISSION

IN THE MATTER OF Qwest Corporation's Section 271 Application and Motion for Alternative Procedure to Manage the Section 271 Process	)	Utility Case No. 3269

AFFIDAVIT OF JUDITH L. BRUNSTING

STATE OF)
)ss.
COUNTY OF)

Judith L. Brunsting declares as follows:

My name is Judith L. Brunsting. My business address is 196 Inverness Drive West, 2nd floor, Englewood, Colorado, 80112. I am Senior Director of 272 Business Development in Qwest Corporation.

The KPMG LLP attestation identified several transactions where costs incurred on behalf of Qwest Corporation (" the Qwest BOC") were neither properly processed nor posted. Qwest Communications Corporation (" the 272 Affiliate") corrected all of the identified discrepancies by posting the transaction on the website and by billing or booking these transactions by November 15, 2001, with the exception that catch up billing for all discrepancies other than Discrepancy H are being billed in November, 2001, and a $9000 adjustment for Discrepancy C that is being booked in November 2001.

The 272 Affiliate has also implemented and is in the process of implementing several new internal controls intended to provide reasonable assurance that intercompany transactions initiated by the 272 Affiliate are identified, reduced to writing, accurately processed and posted. Specifically, the 272 Affiliate has put in place or will have in place by December 3, 2001 the following controls for the identified discrepancies:

Discrepancy C: FMV studies were not performed for nine real estate properties for which FMV studies were required. The nine properties were billed at FDC.

This discrepancy occurred because task orders were priced without a review for

proper determination of whether Fair Market Value ("FMV") or Fully Distributed Cost ("FDC") should be used. A new control is being implemented that requires the Business Unit Affiliate Manager's ("BUAM") supervisor review the calculation to ensure both an FDC and an FMV analysis have been completed. Any task order without this support will not be processed by the BUAM. This control is designed to ensure that a FMV study is performed timely and the invoice will be processed accurately. Additionally, a 272 checklist is being established to track all new services provided by the 272 Affiliate to the Qwest ILEC. The Director-Corporate Accounting, Qwest Services Corporation ("QSC") will have responsibility for monitoring the checklist to ensure that all items are completed in a timely manner prior to signature.

Discrepancy D: In developing the rate for the service of leasing test equipment, incorrect data inputs were utilized.

This discrepancy resulted from the 272 Affiliate not having its own FDC model to determine pricing. To expedite billing, the 272 Affiliate used an alternative method to arrive at an FDC rate that was incorrect. An FDC model that is compliant with the FCC's affiliate rules has now been developed and will be used for all the 272 Affiliate pricing.

Discrepancy H: The lease agreement for fiber optical capacity was not accounted for, billed (including interest charges) or posted to the website during the examination period.

This discrepancy occurred because after the merger, personnel unfamiliar with affiliate billing requirements inadvertently stopped billing for this pre-merger agreement. A new control has been implemented for the Controller of Qwest Network Construction Services ("QNCS") to inform the 272 Affiliate of any new or proposed transactions. Additionally, the Director-Corporate Accounting will request a review of the billing system quarterly to identify new transactions from QNCS.

Discrepancy I: Real estate occupancy services and the use of PBX services were

provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.

This discrepancy occurred because of a lack in communications between the Human Resources department ("HR"), the Real Estate organization, and the BUAM. To ensure that all intercompany real estate services are properly captured, the following new controls will be developed by December 13, 2001 and implemented by December 31, 2001. HR will now send a report of any changes in legal entity to Real Estate who will distribute the information to the BUAM. The BUAM will be responsible for identifying the potential impact on other affiliates or agreements. Additionally, the Real Estate organization will perform quarterly reviews and notes changes to the BUAM.

Discrepancy J: Audio conferencing services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.

The discrepancy occurred because the employee responsible for accounting and billing did not follow company policies. Personnel changes were made and company policy is being enforced and followed. This service is now being provided by a third party vendor. Any decision to provide this service internally again in the future will be made only if an acceptable billing solution can be found.

Discrepancy K: Private line circuits for in-region interLATA official communication services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.

The issue for this service was determining how to issue a bill when the systems were not accepting data which then resulted in no billing, no written agreement and no posting. This occurred because a Section 271 protection was built into the ordering system so in-region interLATA services could not be offered. To facilitate proper billing in the future, a manual process was implemented to identify all circuits and rates being used for official service. In order to ensure that accurate billings are processed on a timely basis, this

information has been entered into a database which will feed the monthly billing system.

Discrepancy 1: Calling card services were provided but not reduced to writing during the examination period.

The discrepancy was discovered by comparing services listed on the website to billings. It was not discovered on a timely basis however. To improve the timeliness of reducing services to writing a 272 checklist is being established to track all new services provided by the 272 Affiliate to the Qwest BOC. The Director-Corporate Compliance will have responsibility for monitoring the checklist to insure that all items are completed in a timely manner prior to signature. Additionally, both entities will deploy additional training to all involved organizations and employees.

I hereby swear and affirm that the statements and data contained in the attached affidavit are true and correct to the best of my knowledge and belief.

Judith L. Brunsting
JUDITH L. BRUNSTING

SUBSCRIBED AND SWORN before me this 15th day of November, 2001.

Dawn S. Dale
Notary Public

My Commission Expires:

2/7/04

DAWN S. DALE NOTARY PUBLIC STATE OF COLORADO

DECLARATION OF PHILIP J. JACOBSEN

I, PHILIP J. JACOBSEN, declare that:

I am a Certified Public Accountant and a partner of KPMG LLP ("KPMG"). My business address is 707 17th Street, Suite 2300, Denver, Colorado 80202. KPMG, with over 103,000 professionals, provides services to clients through member firms in 152 countries. I am a member of the Management Assurance Services practice at KPMG and am the lead partner in that practice for services provided to clients in the communications industry.

During my 13-year career, I have been almost exclusively involved in financial, regulatory and cost accounting matters in the telecommunications industry. I have served as an auditor for and consultant to clients in the telecommunications industry and currently am a partner in our firm's telecommunications industry practice in the areas of assurance and advisory services.

PURPOSE OF DECLARATION AND SUMMARY CONCLUSION

Qwest Corporation engaged KPMG to perform the necessary testing to enable me to make this declaration. This declaration will address the testing that KPMG professionals performed, under my direct supervision, relating to affidavits filed by Ms. Marie Schwartz and Ms. Judy Brunsting on November 15, 2001 (the "Affidavits"). The Affidavits discuss actions taken or to be taken by Qwest Corporation (the "Qwest BOC") and Qwest Communications Corporation (the "Qwest 272 Affiliate") (collectively "Qwest") to address the findings set forth in KPMG's Report of Independent Public Accountants dated November 9, 2001("KPMG Report"). The KPMG Report was issued in connection with the attestation examination performed regarding Qwest Corporation's assertion of management with respect to its compliance with certain aspects of Section 272 of the 1996 Act and related FCC rules and regulations. The attestation examination was performed as a result of the recommendation of the Multistate Facilitator, The Liberty Consulting Group, in its report dated September 21, 2001 (the "Liberty Report").

Specifically, the Affidavits addressed new controls and enhancements to existing controls that the Qwest BOC and the Qwest 272 Affiliate had implemented or would be implementing to address the issues detailed in the KPMG Report. In the Affidavits, it was stipulated that the new controls and control enhancements would be in place by December 3, 2001, with the exception of two new controls that are scheduled to be implemented by December 31, 2001.

In summary, Qwest implemented the specific controls as stipulated in the Affidavits, as well as controls that address Discrepancy G from the KPMG Report, which was not specifically addressed in the Affidavits. Certain controls scheduled to be implemented subsequent to December 3, 2001 (items 7 and 8 from the Brunsting affidavit) were not tested. Additionally, Qwest has corrected all discrepancies identified in the KPMG Report by posting the transactions to the Qwest website and by billing or booking these transactions. Our testing was directed only at the new controls and control enhancements discussed herein and did not include an assessment of the overall design and effectiveness of such new controls and control enhancements.

SCOPE OF DECLARATION

The new controls and control enhancements discussed in the Affidavits and addressed in this declaration are as follows:

Marie Schwartz Affidavit (related to Qwest's BOC)	*To Be Implemented By*	*KPMG Report Discrepancy Reference*
1. The Business Unit Affiliate Manager ("BUAM") supervisor will review the calculation to ensure both a fully distributed cost ("FDC") and fair market value ("FMV") analysis has been completed.	December 1, 2001	A
2. The Regulatory Accounting organization will expand its control sheets to provide additional detail which will allow them to verify that a FMV and FDC study has been performed for all services.	December 1, 2001	A
3. Regulatory Accounting supervisor to review control sheets verifying on a quarterly basis that all documentation has been received.	December 1, 2001	B
4. Employees at the access control centers will be retrained to ensure that a valid department or responsibility code will be provided.	December 1, 2001	E
5. Monthly requests for billing information have been strengthened to remind employees that all time, no matter how minimal, needs to be reported.	December 1, 2001	F
6. Qwest is initiating additional training that will reinforce compliance with Section 272(b)(2) and Section 272(b)(5).	December 1, 2001	All

Judy Brunsting Affidavit (related to Qwest's 272 Affiliate)	*To Be Implemented By*	*KPMG Report Discrepancy Reference*
1. QCC corrected all of the identified discrepancies by posting the transaction on the website and by billing or booking these transactions by November 15, 2001, with the exception that catch up billings, for all discrepancies other than Discrepancy H are being billed in November 2001 and a $9,000 adjustment Related to discrepancy C that is being booked in November 2001.	December 1, 2001	All
2. The Business Unit Affiliate Manager ("BUAM") supervisor will review the calculation to ensure both a fully distributed cost ("FDC") and fair market value ("FMV") analysis has been completed.	December 1, 2001	C

Judy Brunsting Affidavit (related to Qwest's 272 Affiliate)	*To Be Implemented By*	*KPMG Report Discrepancy Reference*
3. A 272 checklist is being established to track all new services provided by the Qwest 272 Affiliate to the Qwest BOC. The Director-Corporate Accounting, Qwest Service Corporation ("QSC"), will have responsibility for monitoring the checklist to ensure all items are completed in a timely manner.	December 3, 2001	C
4. A FDC model that is compliant with the FCC's affiliate rules has now been developed and will be used for all the Qwest 272 Affiliate pricing.	December 3, 2001	D
5. The controller of Qwest Network Construction Services ("QNCS") will inform the Qwest 272 Affiliate of any new or proposed transactions.	December 3, 2001	H
6. The Director-Corporate Accounting will request a review of the billing system quarterly to identify new transactions from QNCS.	December 3, 2001	H
7. HR will now send a report of any changes in legal entity to Real Estate who will distribute the information to the BUAM. The BUAM will be responsible for identifying the potential impact on other affiliates or agreements.	December 31, 2001	I
8. The Real Estate Organization will perform quarterly reviews and note changes to the BUAM.	December 31, 2001	I
9. Personnel changes were made and Company policy is being enforced and followed. This service is now being provided by a 3rd party vendor.	December 3, 2001	J
10. A manual process was implemented to identify all circuits and rates being used for Official Communication Services ("OCS"). In order to ensure that accurate billings are processed on a timely basis, this information has been entered into a database which will feed the monthly billing system.	December 3, 2001	K
11. A 272 checklist is being established to track all new services provided by the Qwest 272 Affiliate to the Qwest BOC. The Director-Corporate Accounting QSC will have responsibility for monitoring the checklist to ensure all items are completed in a timely manner.	December 3, 2001	L
12. Both entities will deploy additional training to all involved organizations and employees.	December 3, 2001	All

Schwartz No. 1 – The Business Unit Affiliate Manager ("BUAM") supervisor will review the calculation to ensure both a fully distributed cost ("FDC") and fair market value ("FMV") analysis has been completed. ***(Related to discrepancy A in the KPMG Report)***

Description of Control

The Qwest BOC has implemented a new control whereby the supervisor of the BUAM responsible for managing real estate services (space and furniture rental) provided to the Qwest 272 Affiliate must perform a review for each component of the service (e.g., each building) to ensure that a FMV study was conducted and compared to FDC for proper pricing of the service based on the FCC's affiliate transaction rules.[1] Any work order without this support will not be processed by the BUAM.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control.

Received from Qwest	KPMG Testing
The written policy setting forth the control.	Read the new policy, noting that it set forth the specific steps to be taken by the real estate services BUAM and the BUAM supervisor.
Signed statements from the real estate services BUAM and real estate services BUAM supervisor indicating their knowledge of the new control	Read the signed statements, noting that the steps to be performed per the signed statement agreed to the new policy and that the real estate services BUAM and BUAM supervisor signed the statement.
Contact information for the real estate services BUAM and BUAM supervisor.	Interviewed the real estate services BUAM and BUAM supervisor to verify that they had been made aware of the new control by December 3, 2001 and that they had signed the statement.

Conclusion

Based on the testing performed, the control requiring the real estate services BUAM supervisor to review the FDC and FMV comparison had been implemented as of December 3, 2001.

[1] 47 CFR 32.27.

Schwartz No. 2 – The Regulatory Accounting organization will expand its control sheets to provide additional detail which will allow them to verify that a FMV and FDC study has been performed for all services. ***(Related to discrepancy A in the KPMG Report)***

Description of Control

The Qwest BOC has implemented a control enhancement whereby the Regulatory Accounting organization will expand its control sheets to provide additional detail, which will allow them to verify that a FMV and FDC study has been performed for all services. The Regulatory Accounting organization expanded the control sheets to add language that requires a review for work orders related to managing real estate services (space and furniture) provided to the Qwest 272 Affiliate. This review will be performed for each component of the service (e.g., each building) to ensure that a FMV study was conducted and compared to FDC for proper pricing of the service based on the FCC's affiliate transaction rules.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding the new control:

Received from Qwest	KPMG Testing
The written policy setting forth the control.	Read the new policy, noting that it includes language which states for real estate services, a comparison of FMV to FDC for each pricing component must be performed. Additionally, we interviewed the Regulatory Accounting organization personnel and determined that they were aware of the control enhancement.
Access to expanded control sheets.	Reviewed the expanded control sheets noting the addition of language which requires that a FMV study be performed for each affiliate-billed property.

Conclusion

Based on the testing performed, the control concerning updated control sheets had been implemented as of December 3, 2001.

Schwartz No. 3 – Regulatory Accounting supervisor to review control sheets verifying on a quarterly basis that all documentation has been received. *(Related to discrepancy B in the KPMG Report)*

Description of Control

The Qwest BOC has implemented a control enhancement whereby the Regulatory Accounting supervisor will increase the frequency of control sheet reviews for required pricing information from an annual to quarterly basis. The Regulatory Accounting supervisor will now review control sheets each quarter for required information instead of only during the re-pricing period.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding the new control:

Received from Qwest	KPMG Testing
The written policy setting forth the control	Read the new policy, noting it includes language which states that the Regulatory Accounting supervisor will review control sheets on a quarterly basis for required information.
Contact information for Regulatory Accounting personnel.	Interviewed the Regulatory Accounting supervisor responsible for control sheet reviews, noting that the supervisor is aware of the control.

Conclusion

Based on the testing performed, the control requiring a quarterly review of control sheets by the Regulatory Accounting supervisor had been implemented as of December 1, 2001.

Schwartz No. 4 – Employees at the access control centers will be retrained to ensure that a valid department or responsibility code will be provided. ***(Related to discrepancy E in the KPMG Report)***

Description of Control

The Qwest BOC has implemented a new control whereby employees at the access control centers will be retrained to ensure that a valid department or responsibility code will be provided. The training will enforce the requirement to provide a department or responsibility code to track and bill for Photo ID services related to employees that receive photo ID badges.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control:

Received from Qwest	KPMG Testing
Access to new training material.	Read the new training material, noting it includes a statement that the responsibility code (RC) or department code (DC) are required information and must be obtained prior to the issuance of the ID badges.
Access to listing of employees that are required to attend training and acknowledgement forms stating whether training was received.	Reviewed the listing of employees required to attend training. Reviewed acknowledgement forms and received email confirmations from employees that attended the training acknowledging they are aware of the policy.

Conclusion

Based on the testing performed, the control that employees at the access control centers will be retrained to ensure that a valid department or responsibility code will be provided was implemented as of December 3, 2001.

Schwartz No. 5 – Monthly requests for billing information have been strengthened to remind employees that all time, no matter how minimal, needs to be reported. ***(Related to discrepancy F in the KPMG Report)***

Description of Control

The Qwest BOC has implemented an enhanced control whereby monthly requests for billing information have been strengthened to remind employees that all time, no matter how minimal, needs to be reported.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this control enhancement.

Received from Qwest	KPMG Testing
The written policy setting forth the control.	Read the new policy, noting that this policy indicated all time must be reported.
Contact information for the QC Senior Finance/Business Analyst responsible for requesting billing information.	Interviewed the QC Senior Finance/Business Analyst to verify that an e-mail was sent as of December 3, 2001 that included a reminder that all time must be reported.
E-mail sent to QC finance business function owners reminding them that all time must be reported.	Reviewed the e-mail confirming that it reiterated the policy that all time, no matter how minimal, must be reported.

Conclusion

Based on the testing performed, the control enhancement concerning the reminder that all time must be reported had been implemented as of December 3, 2001.

Schwartz No. 6 – Qwest is initiating additional training that will reinforce compliance with Section 272(b)(2) and Section 272(b)(5). ***(Related to all discrepancies in the KPMG Report)***

Description of Control

Qwest has implemented a control enhancement whereby additional training will be initiated that will reinforce compliance with Section 272(b)(2) and Section 272(b)(5).

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this control enhancement

Received from Qwest	KPMG Testing
The BUAM Section 272 and Affiliate Transaction Refresher Training materials.	Reviewed the BUAM Section 272 and Affiliate Transaction Refresher Training materials. The training included references to requirements with respect to Section 272(b)(2) and Section 272 (b)(5).
Training schedule and target audience.	Reviewed the training schedule. Section 272 and Affiliate Transaction Refresher Training for BUAMs occurred on November 28, 2001.
Contact information for QC's Director of 272 Compliance to explain how requirements to attend the training were communicated.	Interviewed QC's Director of 272 Compliance who indicated that the QC Director of FCC Regulatory Accounting had sent an e-mail to all BUAMs requiring that they attend this mandatory training.
Acknowledgement forms completed by the BUAMs acknowledging that they understood the BUAM Section 272 and Affiliate Transaction Refresher Training that was presented.	Reviewed the acknowledgement forms and received e-mail confirmations from all of the BUAMs with Section 272 responsibilities. All BUAMs who either attended the training on November 28, 2001 or reviewed the training materials acknowledged that they understood the BUAM Section 272 and Affiliate Transaction Refresher Training materials.

Conclusion

Based on the testing performed, the control enhancement to initiate additional training to reinforce compliance with Section 272(b)(2) and Section 272 (b)(5) had been implemented as of December 3, 2001.

Bronsting No. 1 – QCC corrected all of the identified discrepancies by posting the transaction on the website and by billing or booking these transactions by November 15, 2001, with the exception that catch up billings for all discrepancies other than discrepancy H are being billed in November 2001 and a $9,000 adjustment Related to discrepancy C that is being booked in November 2001. ***(Related to all discrepancies in the KPMG Report)***

Description of Control

QCC has corrected all of the identified discrepancies by posting the transactions on the website and by billing or booking these transactions in November 2001.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control:

Received from Qwest	KPMG Testing
Evidence (e.g., invoices, journal entries, posting summaries) that all postings, billings, and bookings that took place to correct the identified discrepancies that occurred.	Reviewed invoices, journal entries, and posting summaries which were made to correct the identified discrepancies. We considered the general ledger accounts to which the journal entries were posted and whether if parallel entries were made to each affiliates' books. Also, we evaluated if the journal entries booked were consistent with management's estimates in the KPMG Report. Lastly, the Qwest website was reviewed to determine if postings had occurred to correct the identified discrepancies.

Conclusion

Based on the testing performed, QCC has corrected all of the identified discrepancies by posting the transactions on the website and by billing or booking these transactions in November 2001.

Reporting No. 3 - The Business Unit Affiliate Manager "BUAM" supervisor will review the calculation to ensure both a fully distributed cost "FDC" and fair market value "FMV" analysis has been completed. ***(Related to discrepancy C in the KPMG Report)***

Description of Control

The Qwest BOC has implemented a new control whereby the supervisor of the BUAM responsible for managing real estate services (space and furniture rental) provided to the Qwest 272 Affiliate must perform a review for each component of the service (e.g., each building) to ensure that a FMV study was conducted and compared to FDC for proper pricing of the service based on the FCC's affiliate transaction rules. Any task order without this support will not be processed by the BUAM.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control:

Received from Qwest	KPMG Testing
The written policy setting forth the control.	Read the new policy, noting that it set forth the specific steps to be taken by the real estate services BUAM and the BUAM supervisor.
Signed statements from the real estate services BUAM and real estate services BUAM supervisor indicating their knowledge of the new control.	Read the signed statements, noting that the steps to be performed per the signed statement agreed to the new policy and that the real estate services BUAM and BUAM supervisor signed the statement.
Contact information for the real estate services BUAM and BUAM supervisor.	Interviewed the real estate services BUAM and BUAM supervisor to verify that they had been made aware of the new control by December 3, 2001 and that they had signed the statement.

Conclusion

Based on the testing performed, the control requiring the real estate services BUAM supervisor to review for FDC and FMV comparison had been implemented as of December 3, 2001.

Finding No. 3 – A 272 checklist is being established to track all new services provided by the Qwest 272 Affiliate to the Qwest BOC. The QSC Director of Corporate Accounting will have responsibility for monitoring the checklist to ensure all items are completed in a timely manner. ***(Related to Exception C in the KPMG Report)***

Description of Control

A new control has been implemented whereby a 272 checklist is being established to ensure that all necessary information required to process all new or amended services provided by the Qwest 272 Affiliate to the Qwest BOC. The QSC Director of Corporate Accounting will have responsibility for monitoring the checklist to ensure that all items are completed in a timely manner prior to signature.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control.

Received from Qwest	KPMG Testing
The written policy setting forth the control	Read the new policy, noting that a checklist to ensure that the process establishing or amending a service is followed in a timely manner.
Contact information for the QSC Director of Corporate Accounting	Interviewed the QSC Director of Corporate Accounting. The QSC Director of Corporate Accounting stated that he will be responsible for completing and monitoring the checklist for new task orders and amendments to existing task orders to ensure that all necessary information required to process task orders and amendments is completed in a timely manner prior to signature.
The new checklist established to track all new services provided by the Qwest 272 Affiliate to the Qwest BOC	Reviewed the new checklist, noting the information required to be collected to complete the process of establishing a new or amended task order.

Conclusion

Based on the testing performed, the control described above had been implemented as of December 3, 2001.

Processing No. 4 – An FDC model that is compliant with the FCC's affiliate rules has now been developed and will be used for all the Qwest 272 Affiliate pricing. ***(Related to discrepancy D in the KPMG Report)***

Description of Control

The Qwest 272 Affiliate has implemented a newly developed FDC model to be used by the Qwest 272 Affiliate when pricing its services.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control:

Received from Qwest	KPMG Testing
The written policy setting forth the control.	Read the new policy, noting it states that each of the nonregulated affiliates has its own FDC pricing model and also explains this process for using this model for pricing services.
The newly created model.	Reviewed the model noting it was designed to calculate FDC.
Training material sent to the user of the model.	Reviewed the training material sent to the users of the model, noting it stated FDC must be calculated using the affiliate's FDC model and provided references to identify the location of the updated MAT on the Qwest intranet website.
Contact information for QSC Director of Corporate Accounting.	Interviewed the QSC Director of Corporate Accounting noting that the model was created for developing FDC pricing for QCC services. Reviewed training material noting it discussed that each affiliate has its own FDC pricing model.

Conclusion

Based on the testing performed, the control that a new FDC model has been developed that meets the FCC requirements used by the Qwest 272 Affiliate had been implemented as of December 3, 2001.

Branding No. 5 – The controller of Qwest Network Construction Services ("QNCS") to inform the Qwest 272 Affiliate of any new or proposed transactions. ***(Related to discrepancy H in the KPMG Report)***

Description of Control

The Qwest 272 Affiliate has implemented a new control whereby the QNCS Controller will send telephone and/or email notification to the QSC Director of Corporate Accounting notifying them of any new or proposed service to be offered by the Qwest 272 Affiliate to the Qwest BOC.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control:

Received from Qwest	KPMG Testing
The written policy setting forth the control	Read the new policy, noting it states that the QNCS Controller to inform the QSC Director of Corporate Accounting of any potential QCC to QC transactions that come to the QNCS Controller's attention.
Contact information for the QSC Director of Corporate Accounting and the QNCS Controller.	Discussed the new policy with the QNCS Controller and the QSC Director of Corporate Accounting noting that they were both aware of the new control.

Conclusion

Based on the testing performed, the control that the QNCS Controller will inform the QSC Director of Corporate Accounting of new or proposed services had been implemented as of December 3, 2001.

Bruneting No. 6 – The Director-Corporate Accounting will request a review of the billing system quarterly to identify new transactions from QNCS. ***(Related to discrepancy H in the KPMG Report)***

Description of Control

The Qwest 272 Affiliate has implemented a new control whereby the QSC Director of Corporate Accounting will request on a quarterly basis that the QNCS Controller perform an inquiry of transactions in the billing system to identify new services from QNCS.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control:

Received from Qwest	KPMG Testing
The written policy setting forth the control.	Read the new policy, noting that it states that the QSC Director of Corporate Accounting will send a formal request, on a quarterly basis, to the QNCS Controller to review the billing database in order to identify transactions for services from QNCS.
Contact information for the QSC Director of Corporate Accounting and the QNCS Controller.	Discussed the new policy with the QNCS Controller and the QSC Director of Corporate Accounting noting that they were both aware of the new control. Additionally, reviewed copies of screen prints from the billing system with the QSC Director of Corporate Accounting and the QNCS Controller noting that they were both familiar with the information required to fulfill this control.

Conclusion

Based on the testing performed, the control described above had been implemented as of December 3, 2001.

Brunsting No. 9 – Personnel changes were made and Company policy is being enforced and followed. This service is now being provided by a 3rd party vendor. ***(Related to discrepancy J in the KPMG Report)***

Description of Control

QCC has implemented a new control whereby audio conferencing services are now being provided by a third party vendor. Additionally, personnel changes were made and follow-up with employees will be conducted on a monthly basis.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control:

Received from Qwest	KPMG Testing
The written policy setting forth the policy associated with a third party vendor will provide audio conferencing services.	Read the new policy which was communicated to Qwest employees through e-mail. Qwest employees received these e-mails on November 5, 19, and 28, 2001 stating that audio conferencing services should be changed from the Qwest 272 Affiliate to the third party provider by November 30, 2001. Additionally, the Chief Financial Officers (CFO) of all Qwest business units received an e-mail from the Qwest CFO and the Qwest Controller on December 3, 2001 stating that it is the responsibility of each CFO to ensure compliance with regulatory requirements within the business units.
The contract with the third party vendor supplying Qwest with audio conferencing services and associated invoice from the third party vendor to Qwest for the performance of services.	Reviewed the contract with the third party vendor which states that that they will provide audio conferencing services to Qwest. The effective date of the contract is July 23, 2001 and the contract expires August 31, 2002. Additionally, the November 30, 2001, third party invoice was reviewed that showed that audio conferencing services were billed to Qwest by the third party vendor.
Contact information for QC's Director of FCC Regulatory Accounting regarding the personnel changes that were made.	Interviewed QC's Director of FCC Regulatory Accounting regarding the personnel changes that were made. The employee who was responsible for the processing of the bill and ensuring that it was recorded was relieved of her duties prior to December 3, 2001.

Received from Qwest	KPMG Testing
Contact information for the Director of Purchasing-Procurement, Lead Finance-Business Analyst-Procurement, and Senior Director – Customer Financial Services to determine how compliance with the new policy will be maintained.	Qwest management represented that they will review all audio conferencing activity beginning November 30, 2001 on a monthly basis. Qwest management will follow-up with employees that fail to use the third party vendor and reinforce that Qwest policy must be followed.

Conclusion

Based on the testing performed, personnel changes were made, a third party vendor has been contracted to provide audio conferencing services, and a control requiring employee follow up had been implemented as of December 3, 2001.

Drumstick No. 10 – A manual process was implemented to identify all circuits and rates being used for Official Communication Services ("OCS"). In order to ensure that accurate billings are processed on a timely basis, this information has been entered into a database which will feed the monthly billing system. ***(Related to discrepancy K in the KPMG Report)***

Description of Control

QCC has implemented a new control whereby private line circuits (and associated rates) used for OCS will be identified manually to ensure timely collection of the data for billing purposes

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control

Received from Qwest	KPMG Testing
The new policy setting forth the requirement that all private line services from QCC to QC must be compliant with Section 271 and 272 rules.	Reviewed the policy that was verbally communicated to Qwest vice presidents in the finance, network, and facilities cost business functions prior to December 3, 2001 and reviewed the e-mail sent by the Executive Director Federal Regulatory Strategy on December 5, 2001 reminding management that all private line services from QCC to QC must be compliant with Section 271 and 272 rules. This e-mail was sent to Qwest vice presidents in the finance, network, and facilities cost business functions which are responsible for providing and accounting for private line services to Qwest affiliates.
Documentation for the process flow of the manual process to identify all circuits and rates used for OCS and how the new database will be populated and data fed into the billing system.	Reviewed the process flow documentation for the manual process that has been developed. Discussed it with the QC Director of FCC Regulatory Accounting, Internal Communications-Contractor, and Senior Director-Customer Financial Services noting it was the process used to identify all circuits and rates uses for OCS.
Contact information in order to interview for the QC Director of FCC Regulatory Accounting and Internal Communications-Contractor.	Interviewed the QC Director of FCC Regulatory Accounting and Internal Communications-Contractor noting that they were aware of the process used to identify all circuits and rates uses for OCS.
Contact information the Senior Director – Customer Financial Services.	Interviewed the Senior Director – Customer Financial Services regarding the billing of circuits manually identified. We noted that a process has been developed to load circuit and rate information received from the Internal Communications – Contractor into the QCC billing system in order to bill QC.

Conclusion

Based on the testing performed, the control requiring a manual process was implemented to identify all circuits and rates being used for OCS. Also, to ensure that billings are processed on a timely basis, this information has been entered into a database which will feed the monthly billing system. This control was implemented as of December 3, 2001.

Brunsting No. 11 – A Section 272 checklist is being established to track all new services provided by the Qwest 272 Affiliate to the Qwest BOC. The Director-Corporate Accounting QSC will have responsibility for monitoring the checklist to ensure all items are completed in a timely manner. ***(Related to discrepancy L in the KPMG Report)***

Description of Control

A new control has been implemented whereby a 272 checklist is being established to ensure that all necessary information is collected that is required to process all new or amended task orders provided by the Qwest 272 Affiliate to the Qwest BOC. The QSC Director of Corporate Accounting will have responsibility for monitoring the checklist to ensure that all items are completed in a timely manner prior to signature.

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control:

Received from Qwest	KPMG Testing
The written policy setting forth the control	Read the new policy, noting that a checklist to ensure that the process establishing or amending a service is followed in a timely manner.
Contact information for the QSC Director of Corporate Accounting.	Interviewed the QSC Director of Corporate Accounting. The QSC Director of Corporate Accounting stated that he will be responsible for completing and monitoring the checklist for new task orders and amendments to existing task orders to ensure that all necessary information required to process task orders and amendments is completed in a timely manner prior to signature.
The new checklist established to track all new services provided by the Qwest 272 Affiliate to the Qwest BOC.	Reviewed the new checklist, noting the information required to be collected to complete the process of establishing a new or amended task order.

Conclusion

Based on the testing performed, the control described above had been implemented as of December 3, 2001.

Brunsting No. 12 – Both entities will deploy additional training to all involved organizations and employees. ***(Related to all discrepancies in the KPMG Report)***

Description of Control

Qwest is initiating additional training to reinforce compliance with Section 272(b)(2) and Section 272(b)(5).

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding the new control:

Received from Qwest	KPMG Testing
The training plan to reinforce compliance requirements with Section 272(b)(2) and Section 272(b)(5).	Reviewed the training plan for Section 272 Reinforcement and Supplemental Training noting that the materials provided guidance regarding Section 272(b)(2), 272 (b)(5), and 272(e)(2) requirements. The materials indicate that training will be delivered through the Qwest 272 website and an acknowledgement form will be required from each employee who has been targeted for the training. Additionally, the employee will have one week after receiving the e-mail to review the training materials and to sign the acknowledgement form.
Contact information for QCC's Director of 272 Business Development who was responsible for developing the Qwest training plan to reinforce compliance requirements with Section 272(b)(2) and Section 272(b)(5).	Interviewed QCC's Director of 272 Business Development regarding when the plan was developed and the targeted audience for the training noting that the plan was developed prior to December 3, 2001. The targeted audience for the training will be QCC, QC, and QSC management employees. The proposed schedule is to complete the training by the end of January 2002.

Conclusion

Based on the testing performed, additional training to reinforce compliance with Section 272(b)(2) and Section 272(b)(5) had been implemented as of December 3, 2001.

In addition to the controls implemented above, Qwest management requested that KPMG review the following implemented control that was not part of the Schwartz and Brunsting affidavits:

KPMG Report Discrepancy G – Data entry services regarding out-of-region long-distance orders were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.

Description of Control

The Qwest BOC initiated additional training to reinforce compliance with Section 272(b)(2) and Section 272(b)(5).

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control.

Received from Qwest	KPMG Testing
The written policy setting forth the control.	Read the new policy, noting that this policy indicated all time must be reported
The BUAM Section 272 and Affiliate Transaction Refresher Training materials.	Reviewed the BUAM Section 272 and Affiliate Transaction Refresher Training materials. The training included references to requirements with respect to Section 272(b)(2) and Section 272 (b)(5).
E-mail communication to the Business Unit CFOs.	Reviewed the e-mail dated December 3, 2001 to Business Unit CFOs noting it stated the emphasis on compliance with Section 272 regulatory rules.

Conclusion

Based on the testing performed, additional training to reinforce compliance with Section 272(b)(2) and Section 272 (b)(5) had been implemented as of December 3, 2001.

In addition to the controls implemented above, Qwest management requested that KPMG review the following implemented control that was not part of the Schwartz and Brunsting affidavits:

KPMG Report Discrepancy G – Data entry services regarding out-of-region long-distance orders were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.

Description of Control

The Qwest BOC initiated additional training to reinforce compliance with Section 272(b)(2) and Section 272(b)(5).

KPMG Testing

KPMG received from Qwest the following documentation and performed the following tests regarding this new control.

Received from Qwest	KPMG Testing
The written policy setting forth the control.	Read the new policy, noting that this policy indicated all time must be reported
The BUAM Section 272 and Affiliate Transaction Refresher Training materials.	Reviewed the BUAM Section 272 and Affiliate Transaction Refresher Training materials. The training included references to requirements with respect to Section 272(b)(2) and Section 272 (b)(5).
E-mail communication to the Business Unit CFOs.	Reviewed the e-mail dated December 3, 2001 to Business Unit CFOs noting it stated the emphasis on compliance with Section 272 regulatory rules.

Conclusion

Based on the testing performed, additional training to reinforce compliance with Section 272(b)(2) and Section 272 (b)(5) had been implemented as of December 3, 2001.

SUMMARY CONCLUSION

In summary, based on the testing performed above, it is my opinion that the Qwest BOC and the Qwest 272 Affiliate have implemented the new controls and control enhancements that were scheduled for implementation by December 3, 2001, as stipulated in the Affidavits. All systems of internal control, no matter how well designed and operated, are inherently limited, such as control breakdowns caused by human judgment in decision making, human errors or mistakes, management override and fraud. While no internal control system can guarantee that all control objectives are achieved, the new controls and control enhancements (discussed above) implemented by Qwest appear to strengthen the overall control environment with respect to Section 272 compliance and should minimize the types of findings presented in the KPMG Report.

This concludes my declaration.

I declare under penalty of perjury that the foregoing is true and accurate to the best of my knowledge and belief.

Executed this 14th day of December 2001.

Philip J. Jacobsen

SUBSCRIBED AND SWORN before me this 14th day of December 2001.

Notary Public

My Commission Expires:

My Commission Expires
12-28-2003

CONTINUATION

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ride the light

Qwest.

Code of Conduct

06-30-00



The issuance of this Code does not represent an employment contract and creates no contractual rights between Qwest and employees. Unless covered by a collective bargaining agreement, employment with Qwest is at-will which means that either the employee or Qwest may terminate the relationship at anytime, with or without cause.

Nothing in this Code, any Corporate Policies, or other communications by Qwest creates an employment contract or term of employment or any promise of specific treatment upon which an employee can rely.

Qwest reserves the right to change or modify this Code and associated policies for any reason, at any time, with or without advance notice.

Reprinted January 2002

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Dear Colleague:

As we work together at Qwest to change the way the world communicates, we have exciting new opportunities in a dynamic and competitive global marketplace. Amidst the change, one thing that must remain constant is our uncompromising commitment to act with integrity and to conduct business according to the highest ethical standards.

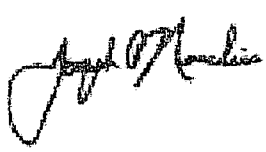
The trust and confidence of our customers, shareowners and employees remain our most valued assets and our reputation for honesty and integrity depends on the individual decisions we make every day.

That is why this Code of Conduct is so important.

- The Code emphasizes our commitment to executing work with excellence.
- It links our vision, business priorities and standards of conduct.
- The Code recognizes that we are faced with difficult decisions in a rapidly changing industry, and provides a framework and resources to help us make the right legal and ethical choices.

Please review this booklet carefully, ask questions to clarify how the Code relates to your job and report known or suspected violations. Let the Code serve as a guide to your conduct in meeting customer and shareowner expectations.

Sincerely,



Joseph P. Nacchio
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Our Vision and Character

Our vision is to build shareowner value by becoming the market leader for worldwide broadband Internet communications and application services.

- We put the customer first. At Qwest, customer service is our top priority. We are measured by customer standards.
- We are committed to creating shareowner value through growth, continued execution with excellence and speed to market.
- We are a team of innovators, demonstrated by our leading-edge technologies and our visionary approach to serving customers. We are results driven and accountable for our performance.
- We work hard, smart and fast to deliver innovative products and services.
- We demonstrate teamwork, flexibility, commitment, discipline and professionalism, leading by example through our words and actions.
- We are committed to open, honest and candid communication with all employees.
- We act with integrity. We conduct business safely and according to the highest standards of legal and ethical conduct, believing our reputation is key to our success.

About the Code of Conduct

You must read and use the Code to help ensure that business decisions follow our commitment to ethics, our policies, and the law. Adherence to the Code and policies is essential to enhancing our ethical reputation among customers, shareowners, and employees.

The Code and policies are a guide to legal and ethical conduct at Qwest.

- Review this entire booklet. Think about how the Code and policies relate to your job and consider how you might handle situations to avoid illegal, improper, or unethical actions.

- If you have questions, ask your supervisor, Human Resources representative, Legal Affairs or the Corporate Compliance Advice Line (800-333-8938).

- The Code applies worldwide to all employees and others who represent or act on our behalf.

- Review the corporate policies that are applicable to you and your job. Understand what they require of you and where to ask for assistance.

Employees who violate this Code and corporate policies may be subject to disciplinary action – up to and including termination of employment.

Make Ethical Decisions

A law or policy will sometimes dictate the required conduct to make an appropriate decision. More often, you must interpret the situation, seek advice and make ethical choices.

When facing a situation, ask these questions:

- Are there laws and regulations to consider?

- Does the decision comply with Qwest policy and this Code?

- How does this decision affect you and others (customers, shareowners, suppliers, partners, competitors, Qwest, and other employees)?

- How does the decision look to others? Even an innocent action can have the appearance of wrongdoing.

- How would it look if this decision were made public? Could it be explained?

- What implications will arise from this decision? Would additional advice be helpful? Your supervisor is usually in the best position to help. Contact the Corporate Compliance Advice Line if you need additional assistance.

Report Violations

You are expected to recognize and report actual or potential problems and seek advice when you have a question. If you observe or suspect a violation of the law, the Code or Qwest policies, report it to your manager, or to the Corporate Compliance Advice Line (800-333-8938). Qwest investigates reports of suspected violations. Employees who, in good faith, report suspected violations, will not be subject to disciplinary action.

You may make anonymous reports. We will attempt to keep your name confidential if you make anonymous reports. However, if we determine that we should reveal an employee's identity to enforce this Code or to comply with applicable law or judicial process, we will do so.

You must cooperate in investigations of alleged violations of this Code and other corporate policies.

You are responsible if you violate the Code even if you report the violations.

We may discipline managers who condone, permit, or fail to take appropriate action against the illegal, unethical or improper conduct of others.

Maintain a Professional Work Environment

Qwest values the unique contributions of each individual employee. We trust that as valuable members of the Qwest team everyone will treat one another with courtesy, respect and dignity. Managers at Qwest maintain an "open door" policy regarding employee questions. You are responsible for maintaining a professional and productive work environment and should bring questions and concerns to your manager.

NON-DISCRIMINATION

Qwest supports equal employment opportunity and complies with affirmative action requirements. Do not discriminate or harass on the basis of race, gender, age, sexual orientation, religion, national origin, disability or covered veteran status. You are responsible for promoting a workplace free of unlawful discrimination and harassment.

SEXUAL HARASSMENT

Sexual harassment is illegal and strictly prohibited. Sexual harassment can include unwelcome sexual advances, requests for sexual favors, unsolicited physical contact, unwelcome flirtations, offensive verbal, visual or physical conduct of a sexual nature, suggestive or lewd remarks, unwanted hugs or touches, offensive jokes or visuals, pornography and sexually explicit material.

Sexual harassment can manifest itself in subtle ways. Actions made without any intention to harass may upset or offend others. Even conduct that does not rise to the level of unlawful sexual harassment may violate Qwest policy and be grounds for discipline.

KEEP IN MIND

- *Call Human Resources/EEO with questions or concerns about discrimination or harassment. Report alleged violations of policy or law to the Corporate Compliance Advice Line (800-333-8938).*

- *We will not tolerate harassment in any form — conduct, speech, written notes, photos, cartoons, or electronic mail.*

- *Managers must report and take appropriate action on suspected violations of our non-discrimination and sexual harassment policies.*

- *You violate the law and this Code if you retaliate against an employee for making a good faith report or participating in the investigation of discrimination or harassment*

Avoid Conflicts of Interest

Always act in the best interests of Qwest and safeguard our reputation from any conflicts of interest or even the appearance of a conflict. Avoid any investment, interest, association, or activity that may cause others to doubt your judgment or integrity, or that interferes with your ability to perform job duties objectively and effectively.

EMPLOYMENT OF RELATIVES

You may not supervise relatives or exercise direct or indirect influence over other employment decisions involving your relatives.

OUTSIDE INTERESTS

If you or members of your family have financial interests in a competitor's or supplier's firm, you must not allow those interests to impact your ability to make impartial decisions on behalf of Qwest.

You must obtain advance approval from Legal Affairs if you plan to serve on an outside board (for-profit, non-profit, technical advisory). Report all time spent on outside board activities as personal or vacation.

If you hold a job outside of Qwest, it must not interfere with your ability to make decisions in the company's best interest or to perform your duties on behalf of Qwest during required business hours. Employment by a supplier or competitor is a conflict of interest and is not allowed unless approved by Corporate Compliance.

An employee's direct investment in stock, warrants or options issued by any other company may create a conflict of interest if the other company has a commercial or equity relationship with Qwest. To avoid a conflict of interest, Legal Affairs must approve, in advance, all direct investments, including "friends and family" programs.

You must notify your supervisor and Corporate Compliance prior to seeking or being appointed to public office.

KEEP IN MIND

- *Do not use company time, materials, information or other assets in connection with outside employment or other personal interests.*
- *Disclose any potential or actual conflict of interest to Corporate Compliance.*
- *Consult with your manager or Corporate Compliance if you are uncertain whether a conflict exists.*

GIVING AND ACCEPTING BUSINESS COURTESIES

Your interests conflict with those of Qwest when you use your position (directly or indirectly) for private gain, to advance personal interests or to obtain favors. If you are in a position to make or influence a decision regarding a business transaction between Qwest and a third party, you must not accept anything of substantial value from that party.

Avoid giving or accepting any item, including cash or its equivalent, that could be construed as a bribe or kickback, or that could give the impression of trying to influence business judgment.

The reasonable and infrequent offer or acceptance of refreshments, meals or entertainment in connection with business discussions is an acceptable business practice (if consistent with departmental procedures, business expense guidelines, and if properly approved).

Unique laws apply to government officials and employees. Understand applicable regulations when doing business with government agents or employees. Exercise good judgment in offering meals and other courtesies to public officials. In some instances, this is prohibited by law. For more information, contact Policy and Law or Corporate Compliance. If you conduct business internationally, understand and obey all applicable laws and regulations, including the Foreign Corrupt Practices Act.

INSIDER TRADING

Federal law prohibits all employees and others from buying or selling Qwest securities (and those of other companies under certain conditions) based on information not publicly available that could affect the price of the securities. Do not disclose or use for your personal gain non-public information acquired by reason of your relationship with Qwest.

Such information includes: financial forecasts or results; product information; contracts; marketing plans; proposed acquisitions or divestitures; and strategic plans or information about significant changes or developments of Qwest or a company that does or has done business with Qwest.

Do not trade Qwest stock during "no trade periods" if you have been notified that you are subject to this restriction.

KEEP IN MIND

- *Insider trading also includes "tipping" or telling others about insider information. If another person buys or sells securities based on your tip, you could be guilty of insider trading even if you yourself do not trade.*

- *Observe the "no trade periods" if you have been notified that you are subject to this restriction.*

Safeguard Our Employees and Our Assets

You must protect Qwest's assets, safeguarding them against loss, damage, misuse or theft. Failure to do so has a direct impact on Qwest's profitability and ultimately on all of our jobs.

Assets include, but are not limited to: employees, facilities, property, equipment, computers, furnishings, tools, supplies, funds, time, communication systems, records (regardless of format — paper and electronic), information, trademarks, copyrights, patents, trade secrets and other intellectual property.

Use Qwest assets only for legitimate business purposes. Do not access company information or use Qwest assets for personal reasons. Qwest may inspect, disclose and exercise control over any and all of its documents, communications systems, equipment, facilities and other property at any time, with or without notice.

ENVIRONMENTAL HEALTH AND SAFETY

ENVIRONMENTAL PROTECTION Qwest commits to protect the environment through initiatives to reduce the demands/impacts of our business on natural resources and the environment. We also promote various customer services that offer environmentally friendly alternatives to transporting people and goods.

You share the responsibility for making environmentally responsible decisions. Our environmental policies help you perform your job in an environmentally responsible manner and in compliance with applicable laws/regulations. You must report environmental hazards to your manager, who will take corrective action as necessary, after consulting with Environmental Health and Safety (EHS).

SAFETY AND HEALTH Qwest commits to providing you with a safe and healthful workplace free of recognized hazards. Meeting this commitment is a responsibility shared by Qwest and each of its employees.

We provide job-specific training, tools and resources to facilitate compliance with workplace safety and health laws/regulations and we expect employees to follow

applicable safety practices. Managers are responsible for ensuring employees receive required safety training and for enforcing all applicable safety policies and procedures in the workplace.

We are required to report and record all work-related accidents. Accordingly, you must report work-related accidents immediately to your manager. Work-related accidents must also be reported to UNIcall (1-800-654-2525 or 1-866-UNICALL). Managers are also required to investigate all accidents. EHS is available to assist with accident investigations. In all cases, managers must contact EHS prior to beginning an investigation involving a fatality or serious third party liability.

Unsafe conditions must also be reported to your manager. If an unsafe condition exists, managers must provide necessary warnings or correct the situation as soon as possible. EHS is available to assist in the evaluation of these situations and to provide guidance in correcting unsafe conditions.

KEEP IN MIND

- *Qwest attempts to anticipate and create management plans for crisis situations involving its assets and personnel. In the event of a crisis, corporate and state-level emergency response teams can be activated by calling the Qwest Disaster Recovery Hotline at 800-204-6540.*

- *Maintain a safe work environment. Know the hazards of all materials and equipment you work with and use the appropriate personal protective equipment and precautions.*

- *Report work-related accidents, hazardous situations, spills, and other incidents with environmental impacts to UNIcall (800-654-2525).*

- *Request that EHS evaluate the impact of real estate transactions and new products and services.*

- *Contact EHS immediately about environmental complaints, safety concerns, notices of inspection, subpoenas or search warrants and requests for access to company facilities by a government agency (e.g., OSHA, EPA).* ***Do NOT allow access before contacting EHS.***

- *Smoke only in designated exterior smoking areas during authorized meal and break periods.*

WORKPLACE VIOLENCE To preserve employee safety and security, we forbid weapons, firearms, ammunition, explosives, incendiary devices, and cases/holsters/sheaths for weapons on company property, in company vehicles, in the workplace or while acting in a business capacity. Additionally, we will not tolerate acts or threats of violence (e.g., threatening language — verbal, written or visual — gestures, and behavior).

Report behavior that threatens the safety of employees or property or has the potential to become violent to Security (888-879-7328), your supervisor, Human Resources representative or the Corporate Compliance Advice Line (800-333-8938).

OFF-DUTY MISCONDUCT Off-duty misconduct may adversely affect workplace safety, your fitness for duty, or Qwest's corporate image. Managers must report any known arrest or conviction of any employee for a felony, misdemeanor or any other criminal offense to the Corporate Compliance Advice Line (800-333-8938). Employees who are in safety sensitive positions or who operate motor vehicles or aircraft must immediately report certain traffic tickets and violations to their supervisors.

BACKGROUND VERIFICATION Qwest may conduct background verifications for any reason, at any time. Depending on the circumstances, employment, transfer or promotion may be terminated based on the information obtained.

DRUG AND ALCOHOL USE The trust and confidence of our customers and shareowners, as well as the health and safety of our employees, depend on a workplace free from the effects of substance abuse. The misuse of drugs or alcohol negatively affects productivity, attendance and on-the-job safety. You are forbidden to sell, distribute, manufacture, dispense, possess, transfer or use illegal drugs or controlled substances during the work day, on company time, or on Qwest premises. You must not possess or use alcohol when working in a safety sensitive position. Illegal drugs, controlled substances and alcohol are prohibited in company vehicles. Alcohol may not be served or consumed on company premises without pre-approval from a company officer. When alcohol is served at social events attended in the course and scope of employment, employees who choose to consume alcohol must do so responsibly.

Employees unfit to work due to the effects of alcohol or drugs are subject to disciplinary action up to and including termination from employment. We reserve the right to conduct drug and alcohol search and screening procedures consistent with applicable laws. Breathalyzers or any other alcohol or substance abuse monitoring or ignition interlock device shall not be installed in any vehicle used for company business.

PHYSICAL PROPERTY AND SECURITY

ACCESS CONTROL You must comply with the level of access control (including display of ID badges) implemented in the facility or building where you work. Allow only authorized visitors in the workplace and escort visitors throughout Qwest facilities.

PERSONAL BELONGINGS You are responsible for any personal belongings or valuables brought to the workplace. We assume no responsibility or liability for the loss of personal belongings. Qwest reserves the right to inspect any items of personal property brought to the workplace including bags, cases, parcels, or automobiles.

COMMUNICATION SYSTEMS Our communication systems are provided for business use. Exceptions for personal use require supervisory approval and must be consistent with company policies. Communication systems include but are not limited to: computers, telephones, video conference equipment and facilities, faxes, voice mail systems, Internet, intranet, e-mail, hard drives, disks and mail delivery systems.

You must prevent misuse of Qwest equipment and systems and must take precautions to protect them, (e.g., password protection and anti-virus software).

Do not install or use unauthorized software with Qwest computer equipment. Duplication of licensed software is prohibited unless specifically authorized in a written vendor licensing agreement. Violations may lead to action against individuals and the company.

We will report to authorities any individual access, transmission, or known receipt of illegal information through a Qwest communication system.

Qwest communication systems are Qwest property and are not private. You do not have a personal privacy right in any material created, stored, received or sent through a Qwest communication system (including computers, telephones, hard drives, disks, etc.).

By using Qwest communication systems, you consent to Qwest's monitoring these systems and acknowledge and agree to Qwest's right to conduct such monitoring. Qwest in its sole discretion reserves the right to access, monitor, copy, transcribe, forward, download, delete, capture and/or disclose all communications sent via any Qwest communication system, at any time, with or without prior notice.

KEEP IN MIND

- *Use Qwest communication systems in a professional manner. Do not use them in a way that is disruptive, illegal, offensive or harmful to morale or Qwest's reputation.*

- *Unacceptable personal use includes, but is not limited to: transmission of threatening or sexually explicit material, chain letters, jokes, personal/unauthorized solicitations, invitations, and expressions of social or political causes; as well as participation in games or chat sessions.*

INTELLECTUAL PROPERTY AND INFORMATION

INTELLECTUAL PROPERTY Our trade secrets often result from a significant investment of Qwest resources. Intellectual property is an important asset that helps with our competitive advantage and, therefore, must be protected. Examples of intellectual property include: the Qwest name, logo, trademarks, copyrights, patents, software, confidential information, ideas, inventions, discoveries, research, plans and strategies.

You must take measures to protect Qwest's intellectual property and to avoid infringing on the intellectual property rights of others. Refer any misuse or infringement of Qwest intellectual property to Legal Affairs.

Copyrightable works by Qwest must contain appropriate copyright notices and be protected against unauthorized copying or distribution.

Provide to Legal Affairs new product names and other trademarks or new product ideas that may be patentable.

CONFIDENTIAL INFORMATION "Information" is a very broad term that includes written documents, e-mails and technical data, among other things, along with the ideas, plans and processes that Qwest uses in its business every day. You must take measures to properly categorize all Qwest information that is not intended to be available to the public.

Qwest puts information in certain categories so that it can be used for specific business purposes. Information that is classified as Internal or Confidential must be used for Qwest business only, and must not be discussed or disclosed to people outside of the company, including family, without proper authorization.

Information that comes to Qwest from customers, suppliers and competitors as part of its business should be treated as Confidential. Make sure that you understand and comply with the special rules that apply to Qwest regarding customer proprietary network information. Failure to do so may break the law, and could break promises made by Qwest to safeguard

the information that others make available to Qwest as part of Qwest's business relationships. It can also cause Qwest to lose certain rights to intellectual property.

You must safeguard non-public information, whether it is categorized as Internal or Confidential, by keeping it secure, limiting access to those who have a need to know, and avoiding discussion of non-public information in public areas. Because non-public information about Qwest does not belong to you, it cannot be used for your personal gain.

COMPANY RECORDS The law requires Qwest's books and records to accurately reflect transactions. Falsifying company records, including financial records, inventories, equipment installation and maintenance reports, sales transactions, product tests, permits/licenses, contracts, expense records, service records, payroll and time reports, approvals and authorizations is a serious offense that can lead to termination.

PERSONNEL RECORDS Access to personnel records is limited and must be obtained through Human Resources. Employee information is the exclusive property of Qwest and is confidential.

KEEP IN MIND

- *Refrain from using any report or record to mislead or conceal any impropriety.*
- *Only reasonable, accurate, ordinary and necessary expenses incurred in conjunction with Qwest business may be submitted or approved for reimbursement.*
- *Qwest provided credit cards may only be used for legitimate business purposes.*
- *You must manage, protect, maintain and dispose of records in an appropriate manner and in accordance with the records retention schedule. Records include all recorded information (e.g., paper, CD, disk, electronic, microfiche, e-mail, microfilm, etc.). All records, in any form, including e-mail and computers are subject to audit and inspection for compliance with Qwest policies and record maintenance requirements.*

DISCLOSING INFORMATION TO THE PUBLIC To conform with securities laws and antifraud requirements and to make accurate and timely disclosures about the company, Qwest has designated spokespersons who are the only personnel authorized to disclose information about Qwest to the public. Any contact with the media or the financial and investment communities must be directed to Corporate Communications. Any invitation to speak to outside groups must be forwarded to Corporate Communications for review and approval. The posting of any information to an Internet chat room is a violation of Qwest policy.

Our Relationships with Others

OUR CUSTOMERS

Qwest provides services that reach into the personal and professional lives of our customers. They have entrusted us with their account information and communications data. Maintaining the privacy of customer information and communications is a serious responsibility. Our ability to attract and retain customers hinges on the manner in which we protect their information and communications. You must comply with the standards that have been developed for the care and safeguarding of customer information. Questions should be directed to FCC/Regulatory Compliance.

- Accessing Customer Records — Access customer accounts, records and reports only for authorized business purposes.

- Customer Communications — Customer communications (data and voice) are confidential. Never tamper with, record, listen to or divulge any customer communications, except when required in the proper management of the business or when required by law.

- Customer Information — We possess certain customer information that is subject to special protection under federal law/regulations (Telecommunications Act, Cable Act, FCC and Customer Proprietary Network Information requirements). Our customers may request that we restrict our use of the information. Also, customers have the right to direct us to provide information to other parties, including our competitors. We are obligated to comply with these requests to the extent required by law.

- Sales and Marketing — While we intend to aggressively market and sell our products and services, we must do so within the confines of the law. You must not engage in illegal, unethical or deceptive activities to obtain business. You must accurately represent Qwest products and services. You must not order Qwest products and services on behalf of a customer without that customer's authorization.

- Unlawful Use of Qwest Services — If you suspect a customer is using Qwest services for unlawful purposes, you should report it immediately to Security.

OUR COMPETITORS

Compliance with antitrust and unfair competition laws is very important to us. Because of the complexity of these laws, you should seek advice from Legal Affairs if you have questions.

The following guidelines will help you avoid violations of antitrust and unfair competition laws:

- Do not directly or indirectly enter into agreements that might limit competition or restrain trade. This would include price fixing, bid rigging, allocating markets or customers and boycotting. Never discuss or even listen to discussions of this nature with competitors

- Do not make false, misleading or disparaging remarks about individuals, their organizations or their products and services. Instead, focus on the quality and value of our products and services.

- Customers who are also competitors (e.g., carriers and interconnectors) must not be disadvantaged in the levels of service we provide to them. For example, Qwest may not improperly use wholesale customers' customer proprietary network information.

Gather information about the marketplace and our competition using only lawful and ethical methods (e.g., publicly available information, industry gatherings, research, surveys and product analysis).

Never steal or unlawfully use information, material, products, intellectual property or proprietary and confidential information of others. Doing so could constitute unethical or even illegal industrial espionage.

Likewise, you must always take steps to protect our operations from espionage or sabotage. Any attempt by others to gather or secure competitive information owned by Qwest must be immediately reported to Security or Legal Affairs.

KEEP IN MIND

Never use the following improper means to gather information about competitors:

- *Criminal acts such as burglary, wiretapping, stealing and bribery*

- *Misrepresentation or deception*

- *Dumpster diving or searching a competitor's waste for valuable information*

- *Hiring or surveying employees for the purpose of obtaining proprietary information belonging to their former employer*

OUR SUPPLIERS

We do business with suppliers, contractors and consultants who demonstrate high principles of ethical business behavior and provide the best overall value for us.

We have detailed guidelines for the procurement of products and services. You must become familiar with and adhere to these guidelines (including the established approval and authority levels).

If you have a personal or family relationship or a financial interest in a supplier, you must take steps to ensure that decisions affecting those suppliers are based solely on objective input and judgment.

Do not accept gifts or business courtesies of substantial value from suppliers. Reasonable and infrequent acceptance of meals, refreshments or entertainment in connection with business may be appropriate. For additional information contact Corporate Compliance.

Government Relations

Our interactions with government personnel are important to our continued success, whether they are customers to us or serving in other official capacities. We have a special obligation to know the laws, regulations and ethical standards of the various branches of federal, state and local governments.

GOVERNMENT RELATIONS AND BUSINESS DEALINGS

Contracting with a federal, state or local government is a unique part of our business. When we contract with a government, we are in effect contracting with the public. This places us in a position of trust, with special opportunities and special responsibilities. Always avoid activities that may be perceived as attempts to improperly influence government agencies, officials and employees.

You must not authorize, offer, provide, accept, deliver or solicit any payments, gratuities or favors (either directly or indirectly) for purposes of influencing any government official or employee. This may be illegal. Additional rules may apply internationally.

As a supplier to the government, we sometimes have responsibility for working with highly sensitive information. This information is often classified and essential to our national security. Proper treatment and protection of such information must be a high priority. In certain situations, security clearances are required to obtain information or provide services on a government contract.

Federal and state laws govern the hiring of former government employees and procurement officials. Legal Affairs must approve any discussions of employment with government employees.

We regularly provide information to and share opinions with government officials and candidates for elective office. If you represent Qwest in this capacity, you must do so within all appropriate business conduct and legal boundaries. Policy and Law is responsible for retaining and managing consultants performing legal work, lobbying services, legislative/regulatory consulting or witness services on behalf of Qwest. All information and reports provided to the government must be accurate and complete. It is absolutely essential that proper procedures be followed in recording costs and charges to the government.

KEEP IN MIND

- *Any prospective government proposal or contract (including substantial modifications) must be approved by Legal Affairs.*

- *Contact Policy and Law for information on the unique state and federal laws and compliance requirements for dealing with government employees and public officials.*

POLITICAL CONTRIBUTIONS AND ACTIVITIES

We encourage employees to participate in the political affairs of their communities and country on an individual basis, on their own time and at their own expense.

You are not authorized to make direct or indirect political contributions of any kind on behalf of Qwest.

Qwest has established various Political Action Committees (PACs). PACs are voluntary, non-profit, independent organizations which may accept contributions and make expenditures for electing candidates for public office, consistent with applicable laws and regulations. You may, where eligible, make contributions to a Qwest - sponsored PAC. We will make contributions only from accounts and through procedures that are allowed by law.

When you speak out on public issues, make sure you do so as an individual, unless specifically authorized to do otherwise. When speaking as an individual, you must not give the impression you are speaking or acting on Qwest's behalf.

If you run for public office, serve as a public official or campaign for a political candidate, you cannot be paid by Qwest for any time spent in these activities, unless otherwise approved and allowed by law.

GOVERNMENT INVESTIGATIONS

We cooperate with appropriate government investigations into possible violations of the law. In this context, however, it is important to protect Qwest's property and legal rights.

If served with a subpoena or search warrant, immediately contact Legal Affairs or EHS (for safety or environmental issues).

Any time you are approached by someone claiming to be a government investigator, you should contact Legal Affairs before answering any questions or providing any information or records. Non-supervisory employees are not required to make these contacts before speaking with government investigators about employment, labor or safety issues, but are invited to do so since we have internal mechanisms to deal with such concerns.

Records are the property of Qwest (regardless of who creates, keeps or updates them) and must not be produced for government investigations without contacting Legal Affairs.

AFFILIATE RELATIONSHIPS

State and federal regulatory requirements govern the relationship and business transactions between the various affiliates of Qwest.

These requirements cover:

- Asset Transfer
- Provision of products and services
- Allocation of costs between regulated and unregulated entities
- Information flow between entities
- Technology Compensation
- Affiliate restructuring

All employees are responsible for knowing the Qwest affiliate company they work for, and understanding any restrictions that may exist for dealing with employees of other Qwest affiliate companies.

Under Section 272 of the Telecommunications Act, Qwest Corp., or the Bell Operating Company, and Qwest Communications Corp., the long distance provider and designated 272 affiliate, must maintain separate employees, conduct business with each other at arm's length and post transactions to the Internet. There are other restrictions that apply to the interaction between Qwest Corp. and Qwest Communications Corp., including prohibitions on certain network-related services that Qwest Communications Corp. may provide to Qwest Corp., or that any Qwest affiliate may provide to Qwest Communications Corp.

Affiliate relationship rules are often complex and may create special requirements for record keeping, reporting and regulatory approvals.

Contact Policy and Law or Regulatory Accounting for questions regarding the relationships or business dealing between Qwest affiliates.

SERVICE OF LEGAL DOCUMENTS

We must respond to properly served legal documents in a timely manner. Failure to respond appropriately can have severe negative consequences. If you receive an inquiry regarding the service of a legal document, you must advise the server that you are not authorized to accept the legal document, and then you must refer the server to Legal Affairs. Legal Affairs is responsible for authorizing receipt of service of legal documents and retaining outside legal counsel. If you are served at home, on the job or in the mail with legal documents relating to Qwest activity immediately contact and forward the documents to Legal Affairs.

International Business

As a responsible member of the international business community, we provide quality products and services at fair prices and we compete on the merits of our products and services, not on favors. Our commitment to fair competition includes avoiding corrupt business practices and keeping accurate business records that help prevent such practices.

We recognize that in some international markets we will encounter laws, customs and cultural practices that differ from those of the U.S. We will comply with all applicable U.S. regulations and restrictions in dealing with other countries, as well as foreign laws and restrictions that apply in those countries.

The laws governing international business are comprehensive and involve corrupt business practice prohibitions, export controls, trade sanctions and anti-boycott requirements. These laws are often complex and subject to change. Consult with Legal Affairs for questions on international business dealings.

FOREIGN CORRUPT PRACTICES ACT

Under the Foreign Corrupt Practices Act (FCPA), our status as a publicly held corporation requires that we establish internal accounting controls and conform to generally accepted accounting principles in all operations worldwide. All payments, transactions and accounts must be accurately and truthfully recorded and reported.

The Foreign Corrupt Practices Act also prohibits us (and our employees and agents) from directly or indirectly offering, promising to pay, or authorizing the payment of money or anything of value to foreign government officials, political parties or candidates for the purpose of influencing their acts or decisions.

Failure to comply with the FCPA can result in substantial penalties for both individuals and corporations. This can include fines, imprisonment and loss of government supplier privileges.

EXPORT CONTROLS AND INTERNATIONAL BOYCOTTS

Several U.S. laws restrict trade with certain countries. Other laws restrict export of certain technologies (including products, services, data and knowledge). Our operations worldwide must comply with U.S. export restrictions. Employees who are uncertain of the legal trade status of any country or technology should contact Legal Affairs.

You may not cooperate in any way with unsanctioned foreign boycotts of countries friendly to the U.S. Any request for information or action that seems to be related to any illegal boycott must be reported immediately to Legal Affairs.

Resources

Corporate Compliance has overall responsibility for the implementation of the Code of Conduct and all corporate policies. Employees are accountable for knowing and abiding by the corporate policies and this Code. You are expected to review and become familiar with the corporate policies.

The Code and policies may be found at the Corporate Compliance intranet site on The Q under departments.

The following resources are also available if you have questions about Qwest standards and policies:

Corporate Compliance Advice Line 1-800-333-8938

Conflict of Interest Issues 1-800-333-8938

Corporate Communications - Media Inquiries 303-992-2155

Public Speaking Requests 303-965-3007

Disaster Recovery Hotline 1-800-204-6540

Environmental Health and Safety Issues 303-672-2925

FCC/Regulatory Compliance 402-422-7689

Human Resources 303-992-3184

Legal Affairs 303-672-2756

Policy and Law 303-896-0126

Procurement 303-992-2470

Records Management 303-458-2239

Regulatory Accounting 303-896-5997

Security 1-888-879-7328

UNIcall (Reporting claims and EHS assistance) 1-800-654-2525

. . . . . or 1-866-UNICALL

Index and References

NOTE: THE CODE OF CONDUCT AND ALL THE POLICIES LISTED BELOW CAN BE FOUND AT THE CORPORATE COMPLIANCE INTRANET SITE ON THE Q.

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1801 California Street
Denver, CO 80202

ride the light
Qwest

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of Qwest Corporation, Denver, Colorado, seeking approval of its revised Statement of Generally Available Terms (SGAT) pursuant to Section 252(f) of the 1996 Telecommunications Act.	Application No. C-1911 C-2411

Held on July 9, 2001, at the Nebraska Public Service Commission, 300 The Atrium, 1200 "N" Street, Lincoln, Nebraska, commencing at 9:00 a.m.

C E R T I F I C A T E

I, Julie A. Pell, Certified Shorthand Reporter, do hereby certify that the within and following complete transcript contains all the evidence requested to be transcribed by me, and the rulings of the commission thereon, from the proceedings had in or at the hearing of the foregoing cause in said court; and that said complete transcript is a correct and complete transcription of the evidence requested to be transcribed from the record made at the time of said proceedings or trial.

Dated this 19th day of July, 2001.

JULIE A. [illegible]-PELL
Certified Shorthand Reporter
General Notary Public

A P P E A R A N C E S

Commissioners:	MR. FRANK LANDIS MS. ANNE BOYLE MR. LOWELL JOHNSON MR. ROD JOHNSON
For the Commission:	MR. CHRIS A. POST Legal Counsel 300 The Atrium 1200 "N" Street P.O. Box 94927 Lincoln, NE 68509
For Qwest:	MR. CHUCK STEESE and MS. JILL VINJAMURI Attorney at Law 1650 Farnam Street Omaha, NE 68102-2186
For AT&T:	MR. RICHARD WOLTERS Senior Attorney Suite 1524 Western Region 1875 Lawrence Street Denver, CO 80202
For Cox Nebraska Telecom:	MR. JON C. BRUNING Legal Counsel 1079 North 204th Avenue Elkhorn, NE 68022

MS. SCHWARTZ: Okay. This next slide is actually one of the most important slides in my

presentation today, and that talks about our history of Section 272 compliance, the significant events or milestones for us.

The first bullet point, Qwest Long Distance, our old 272, has been processes in place to be 272 compliant from the beginning. So from 1996, from the release of the Telecommunications Act to today, we have had a compliant Section 272 affiliate. And that's very important to remember.

The next significant milestone was when this commission found Qwest Long Distance to be compliant in the 1998, 1999 time frame. The next significant event for us last year was, of course, the Qwest, US WEST merger.

And that merger triggered a decision for us to designate a new 272 affiliate, which is the next bullet here, the transition to our new Section 272 affiliate, QCC, which we talked about earlier. And that transition took place in the first three months of this year. And we'll talk more about that.

And that finally then brings us to today. We have all processes in place to make QCC a compliant Section 272 subsidiary. So once again, Qwest Corporation, formerly US WEST Communications,

has consistently had a compliant 272 subsidiary since the release of the act. And that's very important.

So a little bit more detail about Qwest Long Distance, again, formerly US WEST Long Distance. It was our first Section 272 affiliate. We plan to operate QLD primarily as a long distance reseller.

Again, it's been compliant from 1996 to today. And we do plan to dissolve it sometime in the second or third quarter of this year. Qwest Long Distance establishes a five-year history of 272 compliance for Qwest Corporation. And, again, the Nebraska Public Service Commission found QLD to be compliant in 1999.

What were the impacts of the Qwest merger transition? As everyone in this room, I think, is aware, this merger had significant impacts on all operational areas of our business. Excuse me.

It was a merger between two very different multi-national companies. One was a local service provider, the other a long distance company. It required the integration of nonregulated corporate culture to regulated culture, and it triggered a decision in the third

quarter of last year to reassess what company would be our designated 272 affiliate. And then it also created some one-time disruptions in our accounting controls.

We realized that a merger of this size would trigger some one-time mistakes, and we were ready to address those with strengthened controls. We made connections immediately, as soon as they were known.

The merger resulted in strategic changes, employee realignments and other operational changes that we had to execute in compliance with all relevant regulation. And Ms. Brunsting will talk about those transition activities in a little bit more detail.

Finally, the impacts of the Section 272 transition. The -- again, the merger resulted in a decision to move to a new 272 affiliate. QCC was identified in January of this year to be our new 272 sub. It will operate primarily as a facility -- facilities-based provider versus a reseller like Qwest Long Distance.

We had to take the 272 controls that we had in place for Qwest Long Distance and overlay those onto -- or, excuse me, to QCC. And in

addition, we strengthened the existing 272 controls we had in place and, finally, turned up QCC as our new Section 272 affiliate on March 26th of this year.

And that coincided with the unveiling of the 272 web site for QCC. And as I understand it, Terri Million spent a great deal of time in 1998 talking about the 272 web site.

Congress gave the BOCs one year to make their 272 affiliates compliant. We made QCC compliant ready in three months, all while maintaining QLD as our compliant 272 subsidiary.

So now that we understand the merger transition and also how the Section 272 transition here impacted us and created some one-time hiccups in our processes, let's talk about the critical 272 requirements.

AT&T was the only party to file comments on our direct testimony regarding our ability to comply with Section 272. And they raised concerns in the following areas: 272(a), the separate affiliate requirement; 272(b), the structural and transactional requirements; 272(c), the nondiscrimination safeguards; 272(e), the fulfillment of certain requests; and then finally,

272(g), the joint marketing provisions.

We're prepared to offer even more evidence in this proceeding to show the existence and processes and controls that ensure compliance in each of these areas.

272(a), separate affiliate. QC, the BOC, can only offer interLATA long distance service through a separate affiliate. We talked about that earlier. We satisfy this requirement by establishing QCC as our 272 affiliate. They're separate affiliates of QSC, which we saw earlier in the chart.

And QC does not own stock in QCC, the 272, nor does the 272 own any stock in the BOC. We've satisfied the FCC's prima facie test in previous approval orders for establishing a separate affiliate, and AT&T concurred with this in their testimony.

272(b), the structural and transactional requirements. This section creates the separation between the BOC and the 272. And it ensures that the BOC and the 272 are operating independently and QCC is not receiving any preferential treatment that would give them unfair advantage in the market.

We can demonstrate compliance readiness in the five key provisions designed to ensure separateness: That we operate independently; that we have separate books, records and accounts; that we have separate officers, directors and employees; that creditors of the QCC may not have recourse to the assets of the BOC, and they don't; and that all of our transactions are at arms length, reduced to writing and posted on the internet.

(b)(1), operate independently. QC, the BOC, and QCC, the 272, cannot and do not jointly own any network facilities or the land or buildings on which those facilities are placed. There can be no transfer of any network facilities between the two companies, and there haven't been.

There can be no operation, installation or maintenance, or OINM, on the BOC's facilities by the 272, nor can there be OINM performed on the 272's facilities by QC or any other Qwest affiliate. Excuse me.

Finally, QC cannot provide discriminatory access to network service. We satisfy the operate independently requirement by monitoring asset transfers and through the extensive training of our network leaders and personnel.

QC does not perform OINM for QCC and vice versa. And AT&T did not -- excuse me -- dispute our compliance with (b)(1) in their testimony.

Section 272(b)(2), separate books, records and accounts. QCC, the 272, must maintain books, records and accounts that are separate from the books, records and accounts of QC, the BOC.

The BOC uses separate financial systems, controls and edits. And we have our separate general ledger system that is also maintained at a separate location. QC, the BOC, has a separate chart of accounts from QCC, the 272. And QC, the BOC, of course, follows USOA.

AT&T contests our compliance with 272(b), but agrees that we have a separate chart of accounts and understands that we have separate software maintained at separate locations, so their concerns are unfounded.

We have sufficient processes in place to maintain separate books, records and accounts. And we satisfy the FCC's tests from previous 271 approval orders.

In terms of additional 272 requirements, compliance with GAAP and accrual accounting. This is another area that AT&T has raised issues.

All publicly traded companies are required to follow GAAP, as are we. The parent and -- excuse me -- the QC undergo regular financial audits. QC, the BOC, starts with GAAP and overlays additional FCC and state requirements.

And as you know, GAAP uses materiality tests in assessing compliance. And this is actually where I would go to our second exhibit, but we don't have copies ready here today, Mr. Steese? I don't believe yet.

MR. STEESE: They should be here any moment.

MS. SCHWARTZ: Okay. Okay.

MR. STEESE: And once they are, I'll distribute them.

MS. SCHWARTZ: Okay. Great. Excuse me. So AT&T maintains that it's inappropriate to use materiality with regard to GAAP; however, the FCC has recognized the use of materiality in GAAP in Part 32, under 32.26.

All Qwest companies follow GAAP. And dozens of professional accountants are employed by the company to ensure that GAAP is followed. We've got an unqualified audit opinion from our auditors. And that will be presented as an exhibit here

today. Excuse me.

272(b)(3), separate officers, directors and employees. QC, the BOC, and QCC, the 272, must have separate officers, directors and employees. QC employees who perform functions supporting QCC are required to report their time so that the 272 can be billed appropriately under FCC pricing rules.

AT&T contested our compliance with (b)(3) due to some pretransition reporting structures and our loaned employee practices, but in the -- I believe it was the seven-state workshop, we voluntarily modified our loaned employee policies, which Ms. Brunsting will talk about further, so -- excuse me, I'm losing my voice this afternoon -- to limit the duration to four months.

So we will not -- as we mentioned, we voluntarily changed our loaned employee policy to limit the duration to four months. And that was found to be acceptable by AT&T.

Again, we've satisfied the FCC's test in the New York and Texas orders for compliance with separate officers, directors and employees by making our officers list public, which we did in our testimony -- in my testimony and the testimony

of Ms. Brunsting. And that will be provided as an Exhibit Number 3 here today. And then by also comparing payroll registers to ensure that no employee appears on the payroll registers of the BOC and the 272 simultaneously. And, finally, by having strict employee transfer and hiring policies, which Ms. Brunsting will talk about in more detail in her direct testimony.

MS. SCHWARTZ: That's correct.

272(b)(4), I'll just touch on briefly, requires that creditors of the 272 may not have recourse to the assets of the BOC. And they do not.

We've satisfied the no recourse requirement of Section 272 by reviewing all of our debt agreements and through the training efforts that we've undertaken. And AT&T did not dispute our -- our assertion of compliance with 272(b)(4) in their testimony.

272(b)(5) is perhaps the most contentious, if you will, area of Section 272. And that requires that transactions be at arms' length, reduced to writing and posted on the Internet. And they are.

All transactions between the BOC and the 272 must be reduced to writing. And we document those transactions by tariff, by stand-alone agreement or by service agreements.

All transactions between the two companies must be posted to the internet within ten days, and they are. Rates terms and conditions of every transaction must be publicly available to ensure the accounting safeguards are maintained and to make them available to third parties just as we've just talked about.

And all transactions are reviewed by the Section 272 compliance oversight team, of which I am a member. And we fashion that team after FCC -- or, excuse me, SBC's compliance committee.

We satisfy the requirements of 272(b)(5) by documenting all of our transactions. We conduct them subject to the part 32.27 affiliate pricing ruling. And we post them to the internet within ten days.

We also reconcile or transactions to the CAM, the CAM audit spreadsheets, and to the ARMIS reports that are filed with the FCC. And that's also consistent with the FCC's test for 272(b)(5) compliance that -- that have appeared in previous

approval orders such as Bell Atlantic-New York and Texas.

And this is -- excuse me, this is the point where I would be sharing Exhibits Numbered 4 and 5 that show that we have posted our transactions for both QCC and QLD within ten days.

272(b)(5), the ten-day posting requirement, a little bit more detail about that. AT&T maintains that we should have posted transactions with QCC, the new Section 272 affiliate, before it was named the 272 affiliate in January of 2001.

So they maintain in their testimony and in oral arguments that even though we've designated the 272 affiliate here, it wasn't known until this point that we should have actually been posting to this time frame.

Once we did designate QCC as the 272 affiliate in the first quarter, we did go back and retroactively post any activity that took place since the merger, but as you can see, it would have been impossible to be posting any 272 transaction prior to actually naming QCC as the 272 subsidiary.

It's also important to note that AT&T ignores the need for a transition period to make a

272 affiliate compliant. You know, once we named QCC the 272 affiliate here, we couldn't actually impose the processes that would make it compliant until after -- until we actually designated it. And it took us three months to do that. And as I mentioned earlier, the FCC gave all the BOCs, in the Telecommunications Act, one year.

We've always met the ten-day requirement for QLD. And this commission agreed with that assertion in the 1999 time frame. We've continued to meet the ten-day requirement for QCC, our new 272 subsidiary, since we turned up the new web site on March 26th of this year. And, again, we'll provide some exhibits that provide some more detail about the -- what's actually available on the web site.

More about the 272(b)(5) requirements. Sufficiency of posting detail. This is very important. In Bell Atlantic-New York, the FCC rejected AT&T's assertion that Bell Atlantic's internet postings did not contain sufficient detail to show that Bell Atlantic would comply with Section 272(b)(5). And this can be found in paragraph 413.

The FCC concluded that the following must

be included in internet postings, and we comply with this. The number and type of personnel assigned to the project, the level of expertise of such personnel, special equipment used to provide the service, and the length of time required to complete the transaction.

AT&T has maintained that Qwest should post actual transaction volume, for example, how many employees actually purchased a human resource service that might be available on the internet. The FCC concluded that volume does not matter or is not required in internet postings. And we can see that in the SBC Texas order.

We satisfied the FCC's definition of sufficiency when we post our transactions to the internet. And, again, we'll provide some exhibits in this proceeding that will allow you to actually observe that sufficiency.

MS. SCHWARTZ: Thank you. In terms of our performance in 272(b)(5) and how we're posting transactions to the internet and are we posting actually from -- accurately, we've been monitoring this is on monthly basis. We reconcile both our

accruals and also the billing information that Mr. Steese just asked me about.

The first opportunity that we had to actually monitor and analyze accounting data for QCC, our new 272 subsidiary, was actually in the -- in the last month. So we identified the transactions in the January and February time frame. We -- we then reduced those to writing.

We posted those on the new internet site which we turned up on March 26th, and then prepared bills and so forth to -- to issue associated with those services. So the first month that we had an opportunity to analyze real accounting data was in March.

And we found that we had a discrepancy rate between what we had on the internet and what we actually billed of 12 percent. We corrected those discrepancies in the following month, in April.

When we analyzed our April data, we had a discrepancy rate of less than one percent. When we monitored our May data, we had a discrepancy rate of less than one percent. So we are now showing that we have a sustained level of improvement in our discrepancy level and that we are prepared to

continually update the record in these proceedings to ensure that that sustained performance is -- is maintained.

So as I mentioned, we reconcile all of our -- our billing and accrual information on a monthly basis. And we adjust for any discrepancies in the month following those -- those discrepancies.

We did expect issues in the first month of processing. And as I mentioned, we've eliminated virtually all of our discrepancies in the third and fourth months. And it's important to note, I think, that the discrepancies that AT&T lists in their testimony were actually found by our controls.

We provided them with an analysis that said, here are the differences between what we've posted and what we have on the internet. So we were on top of those and were prepared to make these corrections.

A very important piece of guidance that the FCC gave us on Section 272(b)(5) can be found in the Texas order. And that says that BOCs must demonstrate that they have internal control mechanisms reasonably designed to prevent as well

as detect and correct any noncompliance with 272. And that can be found in photograph 39%.

And we believe that we have demonstrated that we have the appropriate internal controls to demonstrate the compliance to satisfy both the FCC and the state of Nebraska.

MR. STEESE: Ms. Schwartz, before you continue, let me ask one or two questions here as well. In January I think you said we identified QCC as our new 272 or to be our new 272 affiliate; is that correct?

MS. SCHWARTZ: That's correct.

MR. STEESE: And then over the next couple of months you said, we were about identifying all transactions that existed between QCC, the new 272 affiliate, and QC, the Bell Operating Company; correct?

MS. SCHWARTZ: I believe that's what I said, yes. That's correct.

MR. STEESE: I know Ms. Brotherton will get into this in some detail, but since you mentioned it, can you just briefly describe what steps Qwest went through to identify these transactions and then how they were posted or -- and why they were posted in March on the Internet?

MS. SCHWARTZ: Yes. And I'd like to add a clarification to my statement, Mr. Steese, that we had -- we had identified transactions, of course, through the affiliate transaction rules between QCC and the QCC in the post merger time frame. And that was a time frame, you know, frankly, full of a lot of turmoil at the corporation as we went through those strategic changes.

But we were not comfortable that we had captured all of them. So we went through another wave and actually hired Arthur Andersen as loaned staff. We brought in additional accounting professionals to come in and help us conduct over a 100 interviews with leaders in the business to ensure that we had captured all of the transactions.

So, you know, we felt that it was -- it was very important that we get our arms around this. And so we actually went through two waves to ensure ourselves that we had captured all of the services associated with QCC.

Once those services were identified, then, we went through the normal -- the internal processes that we have to document our affiliate

transactions and created a separate web site for QCC and posted those transactions to the web site and then began our monthly -- our monthly reconciliation process to ensure that the information on the Internet actually agreed to the agreements, the written agreements that were formulated between the two companies.

MR. MOTTEN: Okay. Now, I believe you said you -- I'll call it a policy, instituted a new policy where you would not loan employees between the RBC and QCC for more than a four-month period at any one time; is that correct?

MS. SCHWARTZ: That's correct.

MR. MOTTEN: And I believe you said -- well, let me back up. The present loaning of employees, is that covered under the existing agreement posted to the web site.

MS. SCHWARTZ: Yes, it is.

MR. WOLTERS: Now, under your new policy, will you post those -- the loaning of those employees independently of the existing agreements?

MS. SCHWARTZ: To the extent that a new service were offered that were not -- that was not covered under a previous or existing task order or work order on the internet, yes, there would be a new posting.

MR. WOLTERS: But to the extent it's covered by an existing task order or agreement, it was not your testimony to institute a policy to post those specific employee loan arrangements?

MS. SCHWARTZ: Could you clarify your question, please, Mr. Wolters?

MR. WOLTERS: Okay. I think right now what you've said is that the existing loaning of employees is being done under existing contracts?

MS. SCHWARTZ: Any -- any employees that were loaned, per se, historically or today -- and I would have to verify whether or not that is in existence -- are covered -- are posted on the internet. So, for instance, there was some interim services that we talked about earlier. Those are all posted.

MR. [redacted]: But --

MR. SCHWARTZ: So any -- any -- any service at all that we provide to the 272 or the 272 provides to us has been documented and is on the internet to the extent that -- that we have that information.

MR. [redacted]: But I'm getting to the specific, we'll call it, transaction of Employee A. You loan Employee A from the BOC to QCC. Are you going to post that transaction, we'll call it?

MR. SCHWARTZ: You mean, for instance, if the employee's name was Joe Smith?

MR. [redacted]: Right.

MR. SCHWARTZ: Would I post Joe Smith? No. I -- we would speak to his level of expertise, his or her level of expertise, how long that particular employee was going to be loaned, for instance. And we know that that that's a period not to exceed four months now. What the rate would be and so forth.

So to the extent that AT&T or any other carrier wanted to purchase that level of expertise at that price, they would be able to do that. But to the extent that Sally Smith are being loaned and Joe Smith and so forth, we're not going to post

each of those individual transactions, as we discussed earlier.

MR. WOLTERS: Okay. You're just going to post the task order that says you may loan employees under these rates, terms and conditions?

MS. SCHWARTZ: That's correct.

MR. WOLTERS: Okay. Let's go back to the hypothetical Mr. Steese used about payroll services. I believe he -- you basically said that if you had -- were going to use payroll services, you'd just post it once, but you wouldn't post the billing every month on the amount of the payroll services that were used that month; correct?

MS. SCHWARTZ: We would be posting the amount -- the amount of payroll services used that month to the extent that was reflected in the rate. Because every single month we go through and we reconcile the rate that we have on the internet with the rate that is actually billed to make sure that they are the same at all times.

So to the extent that amount equals rate so that third parties can avail themselves of the same service at that rate, yes, it would be posted.

MR. WOLTERS: I'm confused now 'cause I understood that you would not post the amount of

payroll services consumed on a monthly basis to the Internet.

MS. SCHWARTZ: The -- the volume is -- would that be a clarification of your --

MR. MOTTA: Well, I don't want to get stuck with the word "volume." I want to get down to the amount of service. If, during this particular month, you used 500 hours of payroll services, you would not post the price and the amount of hours on a monthly basis; correct?

MS. SCHWARTZ: The price would be posted and the 500 hours, which the FCC has specifically referred to as volume in SBC Texas, which would be presented under confidential agreement and not required to be posted, correct, would not be posted. And that has been referred to as volume.

MR. MOTTA: Okay. But Qwest -- and US WEST used to post that information to its web site; would that --

MS. SCHWARTZ: That's correct.

MR. MOTTA: And then when SBC came out, you decided to no longer post it?

MS. SCHWARTZ: It became clear that the FCC did not require and actually -- actually honored the SBCS -- the confidential nature of

volume information and did not -- specifically did not require it to be posted, but we are making it available under confidential agreement.

MR. WOLTERS: So it's you're -- what you've done is you basically looked at what you were doing in the past. And when SBC came out, you said -- Qwest basically said, well, we're not going to do what we did in the past because we don't think we have to, so we're just going to only post from now on the contracts and the tasks and the work orders?

MS. SCHWARTZ: I would say that to the extent that any approval orders come out, and there have been five, we continue to benchmark ourselves in every aspect of 272 to ensure that our processes and procedures are consistent with the processes and procedures of other companies who have been found to be compliant.

COMMISSIONER LANDIS: May I --

MR. WOLTERS: So what you've done is basically said, we're going to do the minimal amount we have to do to comply with 272?

MS. SCHWARTZ: I wouldn't characterize it that way.

MR. WOLTERS: What's "benchmarking" mean?

COMMISSIONER LANDIS: Let me jump in with a question here, if I might, while it's still on my mind. If AT&T asked for that specific information, even though you don't post it to the web site, you would make it available to them under a confidentiality agreement?

MS. SCHWARTZ: That's right. That's correct, Ms. Landis.

COMMISSIONER LANDIS: Is that true of any other IXC out there?

MS. SCHWARTZ: That's correct.

COMMISSIONER LANDIS: If it requests that information with that degree of specificity, you would provide it?

MS. SCHWARTZ: That is correct.

COMMISSIONER LANDIS: That's your testimony?

MS. SCHWARTZ: That is correct.

COMMISSIONER LANDIS: Okay. I wanted get that -- the question occurred to me. I'm not --

MR. ROGERS: That's fine.

MR. POST: And, Ms. Schwartz, just one follow-up on that. Earlier during oral argument, I like case up. That would be true post-271 approval as well?

MS. SCHWARTZ: That's correct.

MR. WOLTERS: I have no more questions.

MS. SCHWARTZ: That's -- that's correct. Exhibit Number 4, we appear to be missing the bottom of the exhibit which shows -- I believe it -- yeah. I believe we're missing the bottom. Anyway, I can kind of walk through this.

Basically, this is the history of posting for Qwest Long Distance for, you know, basically that entire time period. All of the transactions and amendments that were posted to the internet

with regard to Qwest Long Distance, were they posted within the ten-day posting period?

And as I indicated earlier, I believe that this exhibit comes down to an average posting time of I want to say 5.2 days or something to that effect. It's -- I'm certain it's less than six days. So that's Exhibit Number 4.

Number 5 is the same type of document for Qwest Communications Corporation describing all of the work orders and task orders that were posted to internet, whether or not they've been posted within ten days. And so all of the transactions, you know, basically excluding all of the catch-up transactions and the transactions that we turned up on March 26th. Everything since March 26th has been posted in an average of 4.7 days.

MR. STEESE: Is it acceptable if I stand for one moment and point to this?

COMMISSIONER LANDIS: Yes.

MR. STEESE: I want to talk about that very issue for just one moment, focusing on Exhibit Number 5. If you look in the far right-hand column, there's a column called "Signed to Post Days"; correct?

MS. SCHWARTZ: That's correct.

MR. STEES: And that shows the number of days from when the transaction was signed to when it was physically posted on the Internet; correct?

MS. SCHULTZ: That's correct.

MR. STEES: And if you go down that column, there are a number of transactions that have numerical days there; correct?

MS. SCHULTZ: That's correct.

MR. STEES: And that would signify any transaction that postdated March 26th of this year between QC and QCT; correct?

MS. SCHULTZ: That's correct.

MR. STEES: However, if you look during that transaction where we've identified QCT as our WTA affiliate until the point where we actually get our web site up and running about two and a half months later, three months later, somewhere in there, and in -- during that period of time we identified the transactions and then turned up the web site all at one time with all known transactions already posted; correct?

MS. SCHULTZ: That's correct.

MR. STEES: And in that particular case, we don't include that in the average posting days; correct?

MS. SCHWARTZ: That's correct.

MR. STEESE: And the reason is because it would be physically impossible to identify all the transactions, create the web site, et cetera, all within ten days from identification of the QCC 272 affiliate; right?

MS. SCHWARTZ: I believe it would be impossible, and I also don't believe it would be a meaningful number.

MR. STEESE: And then in addition, we didn't only post going back to January 1 of this year, we actually went all the way back to the merger dates to post all transactions between QC and QCC; correct?

MS. SCHWARTZ: That's correct. We were very -- if I could expand, Mr. Steese. We were very conservative in our application of 272 onto QCC. We wanted to ensure that we gave -- basically we gave an appearance of conservatism.

We weren't -- we didn't have anything to hide from the merger date to the time that we designated the 272. We went back to the merger date. We identified all those transactions, and we posted them and made them public onto the Internet.

MR. STEESE: And one of the reasons we

did this was to give not only interexchange carriers like AT&T, but the commission an indication that we didn't do things we should not have in an effort -- let me put it a different way.

We didn't delay identification of our 272 affiliate so we could do some improper things in advance, correct?

MS. [redacted]: That's absolutely correct.

MS. [redacted]: That's all the redirect that I have.

MS. BRUNSTING: Uh-huh. All right. I'm employed by Qwest Communications Corporation, the 272 affiliate, as a senior director, 272 business development. I represent the 272 affiliate.

Previously I held the position of director of regulatory and network for Qwest Long Distance, the previous 272 affiliate, and from the

creation of Qwest Long Distance, premerger US WEST Long Distance, we had structured that company as a separate entity that would provide interLATA long distance service upon the RBOC's receipt of 271 approval.

The company has the -- had the processes in place and experience in following the separateness requirements of maintaining separate books, having separate employees and documenting all transactions with the BOC.

We identified processes, put controls in place to operationalize the business, all within meeting the separateness requirements of Section 272.

In November of 1999, evidence of 272 understanding and compliance was presented to the commission here. On April 4th, 1999, the Nebraska commission found that the 272 affiliate satisfied Section 272 of the act.

We had the opportunity to test these processes prior to the merger. I was a part of all of those activities for four years. The key learning is Section 272 operating guidelines require timely metering of processes and flexible controls to be able to react to change processes

which are caused or to reflect those process changes which are caused by market changes and product introductions.

In the summer of 2000, upon completion of the merger between US WEST and Qwest, the previous 272 affiliate, US WEST Long Distance, was renamed Qwest Long Distance.

In the fall Qwest revisited the business plans and began initiation of internal discussions as to which legal entity would offer interLATA services in region.

In mid January Qwest Communications Corp., QCC, was identified as the 272 affiliate. I led plans to take processes and controls from the premerger 272 affiliate and quickly implement these same processes into the newly identified 272 affiliate.

Some employees were moved from one Qwest entity to another. Documentation of all transactions between the 272 affiliate and the BOC were completed and transactions were posted. Operational plans were put in place for processes to continue to comply with Section 272.

Let me just take a minute to give you a sense of the detailed work activities that occurred

during the January to March -- through March time frame, which is part of the transitional period as was described by Ms. Schwartz.

Operating authorities and certificates were validated. The asset records were reviewed to ensure no joint ownership of facilities, land or buildings existed. The senior leadership of the network organization and key employees received specific requirements and training of operation, installation and maintenance, OINM, by the BOC, or the 272 on each others network.

Processes and controls were put in place for bill payment and expenditure controls. Separate financial reporting was created and system access was validated to ensure protection of the information.

In order to ensure separate officers, directors and employees, processes were created to identify if an employee were an officer or a director of the 272, the -- the status of that employee was that they could not also be an officer, director or employee of the BOC.

Some employees were realigned to other legal entities to assure compliance. Training was extensively completed and inventory of floor space

completed to ensure physical separation guidelines were in place for the employees of the 272 affiliate and the BOC.

All contracts were reviewed, validating that there were no recourse claims to BOC assets as a part of those agreements. A guideline for new contract development and the use of recourse language had to be put in place also.

Key contacts for the request of service between the 272 affiliate and the BOC were identified and processes for documenting those services were implemented.

We continue to respond to employee questions regarding 272. The section 272 affiliate is an organization of over 2,000 employees. The employees are primarily located in Ohio, Virginia, Colorado, Minnesota, and numerous other out-of-region locations.

The organization has divisions responsible for network, operations, which includes provisioning and engineering, sales, customer service and marketing.

The 272 affiliate currently has operating authority to conduct business in all 50 states, and the 272 affiliate, today, provides interLATA

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origination of service in 14 states outside the 14-state region.

Ms. Schwartz has reviewed all of the requirements of Section 272. I would like to focus on three specific areas where additional efforts were -- have occurred by the 272 affiliate.

Section 272(b)(2) requires that the 272 affiliate have separate books, records and accounts. The 272 affiliate established and maintains a separate chart of accounts and follows GAAP.

We maintain books, records and accounts separate from the BOC. We have separate internal financial controls and separate assets documented and tracked in our records. The 272 affiliate and the BOC do not share accounting systems. They use PeopleSoft systems which actually operate in different locations.

Section 272(b)(3). The 272 affiliate has no officers, directors or employees that are also officers, directors or employees of the BOC. The 272 affiliate's employees report to division leaders which report to the officer team of the 272 affiliate.

I'd like to give you some further

examples of how the 272 affiliate is separate from the BOC. The 272 affiliate pays applicable taxes and fees separate from the BOC. The 272 affiliate complies with all state and FCC reporting requirements separately from the BOC. And the 272 affiliate has its own payroll.

Following the announcement of the 272 affiliate, Qwest implemented a program whereby employees of the 272 affiliate, the BOC, and the services company would receive a color identifier, a dot. This dot would distinguish which company or legal entity they represented. The dot was to be placed on the employee's ID badge and on their office name plate.

Employees at that same time then received guidance on the protection of information and how to do business with the BOC and the 272 in compliance with all of these rules.

This program to raise awareness by employees of complying with the requirements in order to reenter the long distance market were hugely successful. I still continue today to receive calls from employees that are concerned they don't have a dot or they would like to know how to get their dot.

With all the changes that occur with the merger, this activity assisted in identifying for employees the legal entity and the organization they were a part of and the protection of necessary information that goes with this knowledge.

Finally, to ensure we remain compliant with Section 272 requirements, the 272 --

MR. STEESE: One second, Ms. Brunsting. Before you get to that point, I want to ask you one more question, if I could, about 272(b)(3).

MS. BRUNSTING: Okay.

MR. STEESE: When we identified QCC as a long distance affiliate in January, were there -- -- people who were an officer or a director of both QC and QCC?

MS. BRUNSTING: There could have been. And there were probably cases where they might be an employee of QCC, but an officer of one of the other entities, but only between the transition period of January into March. They were all aligned after March.

MR. STEESE: And so -- and you ran this effort to make sure --

MS. BRUNSTING: Yes, I did.

MR. STEESE: -- to make sure the

employees were properly aligned?

MS. BRUNSTING: Were realigned, yes.

MR. STEESE: Wait till I finish my question. And then so as of the end of March when we turned up our web site, at that point the clear separation between officers, directors and employees was also made plain as well?

MS. BRUNSTING: Yes, it was.

Finally, to ensure that we remain compliant with the 272 requirements, the 272 affiliate educates all of their employees on the requirements of Section 272 within ten days of employment.

All current employees have received training and complete an annual compliance review. Employees that have compliance issues receive information on who they can contact to get answers and also report potential violations.

Understanding 272(c), which is the nondiscrimination requirement of the BOC. The 272 affiliate requests products and services through the BOC sales executive. The sales executive, as with any other carrier, contacts the necessary business unit and a manager of the BOC regulatory accounting group.

The 272 affiliate has an employee responsible for the negotiations and administration of agreements with the BOC as well as our agreements with other suppliers.

To conclude my summary, the 272 affiliate and the previous 272 affiliate, which this commission found not 272, are separate affiliates created according to the requirements of Section 272.

We have shown that there are processes in place, a structure created and knowledge of those requirements to remain compliant with Section 272. We'd like to recommend that you find we continue to meet Section 272. And I thank you for this opportunity to share this information.

MR. WOLTERS: AT&T has one witness, Mr. Cory Skluzak. Mr. Skluzak has not been previously sworn.

COMMISSIONER LANDIS: Mr. Skluzak, if you'll raise your right hand?

CORY SKLUZAK,

Of lawful age, being first duly cautioned and solemnly sworn as hereinafter certified, was examined and testified as follows:

(Witness' response to oath - "I do.")

COMMISSIONER LANDIS: Very well, sir. Would you state your name and spell it, please?

MR. SKLUZAK: My name is Cory Skluzak, C-O-R-Y, Skluzak is S-K-L-U-Z-A-K, with AT&T.

COMMISSIONER LANDIS: Okay. Thank you.

MR. WOLTERS: Do you have a short presentation to give?

MR. SKLUZAK: I do. And as I'm gathering

my paper here. I'd like to apologize for the informality of my dress. I thought I was going to nothing today, so I mean no disrespect. So...

COMMISSIONER LANDIS: We understand that. This is Nebraska. It's not New York. If you look around the room --

MS. SCHWARTZ: Well, I'm from South Dakota, so this is dressing up for me.

COMMISSIONER LANDIS: Yeah. We're neighbors then. Go ahead with your summary.

MS. SCHWARTZ: I talk about the importance of Section 272 in my affidavit dated June 11th and how it can act as a trigger and how failure to comply with Section 272 constitutes independent grounds for denying a Section 271 application. I don't want to rehash that in detail.

I conducted a -- three separate on-site reviews of basically accounting documentation, billing detail, as Qwest calls it, that was provided by Qwest. And these were actual accounting transactions.

My predecessor at AT&T, Warren Fisher, conducted two other reviews. So altogether the two of us conducted five on-site reviews. I -- my testimony only goes as to my three reviews, the

initial one, which was conducted sometime in August 2000.

It was then followed up in April of this year because of the passage of time and the change in entities to QCC. And then my supplemental was my third on-site review. And it's confusing when I talk about this in my testimony, but if you want to just frame it as one, two, three, initial, follow-up and supplemental. The supplemental was needed because on follow-up, the second phase, I didn't receive all the accounting detail for QCC, but I subsequently did.

Either -- I believe it was Ms. Schwartz stated that accounting detail or billing detail is available to AT&T or to any IXE who so wishes. However, we had to go through data -- formal data requests. We simply couldn't waltz over there into Qwest's headquarters and see those. So whatever impact that may have, we had to go through a formalized data request to see this information.

Most of my testimony deals with my findings from these three on-site reviews. Now, the purpose of my testing was to put Qwest's and -- Qwest LD's and QCC's assertions of compliance to the test.

The FCC has basically dictated that paper processes cannot satisfy a BOC's burden of proof regarding Section 272. Regarding Section 272(b)(2), accounting treatment, I write in my testimony regarding the fact that GAAP, which is generally accepted accounting principles, are not being followed as required by the FCC.

And GAAP goes beyond whether something is accrued or not. It also goes as to timely accounting. I made the conclusion that the entities are not accruing from month to month or from year to year, and certainly not recording in a timely fashion.

For example, I have a couple of examples where there were services from January to December of a calendar year and they didn't bill for those monthly services until December. So they didn't bother billing accruing form from January to February, February to March, et cetera, until the end of the year.

Section 272(b) is the transition period. And I don't believe I -- I speak of this in my affidavit, but Ms. Schwartz spoke as to it. And I would just like to point out as perhaps a matter of clarification or -- or confusion that 272(b) states

that with respect to any activity in which a Bell Operating Company is engaged on the date of enactment of the Telecommunications Act in 1996, such companies shall have one year from such date of enactment to comply with requirements of this section.

And from a legal standpoint, I am aware of that gives carte blanche to Qwest to have a continuing transition period or if there's a date certain point there. I just raise that as an issue for the Nebraska commission.

I also speak in regard to 272(b)(2) that I did not find proper recording exists to the FCC ARMIS reports. And you can see that in my testimony. The only entry on the 2000 ARMIS report for Qwest that I found was 1.5 million dollars of services sold by Qwest to QCC.

Materiality I did not speak of in my affidavit. And I would just like to address that here. Ms. Schwartz speaks as to the concept of materiality in generally accepted accounting principles. And at a previous workshop I was asked about that materiality.

And I can now state to you, I know that GAAP does look at materiality as a concept, but we

have to remember that materiality under the financial accounting standard board rules, the FASBs, and other accounting rules is tempered by such things as relevance and timeliness.

So you can't just say, well, the materiality concept is there, therefore, our errors are excused because of that. And I would also like to point out that in Ms. Schwartz's own exhibit, which I believe is Exhibit MES-5 in her affidavit, what that is, is a copy of the biennial audit procedures.

And on page six there's this statement: The agreed upon procedures, the AUP, engagement is not based on the concept of materiality; therefore, the practitioner must report all errors or discrepancies discovered.

Regarding Section 272(b)(5), which is the public disclosure transactions, as has already been discussed, there's a ten-day posting requirement. The reason for this is twofold. First is to allow other BOCs, such as AT&T and others, the needed information to determine usage.

And the second one should not be lost in the discussion here today, is to allow the FCC to determine compliance with safeguards. Therefore,

when Qwest states that they are going to propose something to allow AT&T to decide whether they want to hire an officer or a director on the same provisions, that's not the only reason for posting. It's also to allow the FCC to make sure that their safeguards are being properly adhered to.

A big issue here is at what point was the QCC required to start adhering to Section 272 requirements. On pages 50 and 52 of my testimony, I list several examples, A through G, running on page 51 and then onto page 52, where AT&T feels that QCC actually was acting as a Section 272 affiliate prior to then.

And certainly the process was started much, much, much prior to January 1st, 2001, or mid March or whatever the date was that QCC was identified as the new 272 affiliate. And so our position is that those transaction should have been properly recorded within a ten-day time period, well before March 26th, 2001.

COMMISSIONER LANDIS: What would you have this commission do or Qwest do to rectify that? The transactions have occurred. They've now been posted retroactively. The world knows about them. And you're saying, well, they should have done it.

but how do we handle that assertion of yours? What do we do with it?

MR. SHURTZ: Well, I -- now, see, that's a good point. And obviously you can't go back and change what's already been accomplished in history. But the FCC dictates that you take a look at past behavior as well as a present behavior as an indicator of whether Qwest will meet their paper promises.

So I guess I took these examples forward in my testimony and today as indications that they have not been properly adhering with the requirements.

Separation of employee. It seems to AT&T that Qwest's strategy in this area seems to be the -- to do the bare minimum, to pass the form testing without meeting the substance, a form over substance and, therefore, a circumvention of controls.

Ms. Armstrong talked about the colored dots, but we would state that colored dots do not prevent off-the-record transactions with revolving-door policy of employment. And this -- the new policy of, I guess, the four months period was brought up after AT&T first brought it up in

the first day of the multistate proceedings.

I'm skipping through here because I -- I know we -- I don't want to rehash everything that's in my testimony.

In summary, the FCC -- and this is what the chairman was getting to. The FCC has stated that the past and the present behavior of the BOC applicant is highly relevant because such behavior provides the best indicator of whether the applicant will carry out the requested authorization in compliance with the requirements of Section 272.

Once again, the purposes -- the purpose of my reviews of accounting transactions was to put Qwest's paper promises or assertions to the test. My conclusion was that they were not conscientious in following the rules.

US WEST LD, Qwest LD and QCC are three entities that this commission should look at. You should not forget that US WEST LD is also a part of the equation when you look at the past history of compliance.

I encourage the state commissioners and the staff to spend some time reviewing the many examples of noncompliance whereas presented in my

testimony. It makes for tedious reading, but it is important to go beyond Qwest and QCC's mere paper promises. Thank you.

COMMISSIONER LANDIS: I have a question for you, and then we'll pass to the other commissioners.

MR. SKUZAK: Certainly.

COMMISSIONER LANDIS: You stated in your testimony you have a concern about not using separate software as separate facilities for checking, and I think it was payroll items?

MR. SKUZAK: Yes.

COMMISSIONER LANDIS: What do you think the requirements are to satisfy the 272 requirement with respect to software or having it in separate facilities?

MR. SKUZAK: Well, it's my understanding that Qwest is performing payroll functions for QCC. I -- I would say that that's -- that's one part of evidence. And then you take the fact that there's -- there's many employees dedicated 100 percent of the time as between the two entities. There's such migration of employees between the two entities.

And so taken all together, it's a

circumvention of the separation of employees, directors requirement.

As far as your direct question, what would I recommend? I would recommend that they wouldn't -- wouldn't do that so as not to circumvent those rules. For example, QCC could perform their own payroll functions.

COMMISSIONER LANDIS: If the -- if they had an arrangement that you could get, the confidentiality agreement, that would tell you how many employees are doing the payroll function and who they are and the hours and how they're being reimbursed, would that satisfy that kind of concern, or in all instances are they going to have to have two separate -- can there -- can there be contracting between the two entities as long as it's disclosed and made available to you?

MR. SKLUZAK: Well, my concern would not be so much that AT&T would go over to Qwest and ask to perhaps use Mr. Nacchio's services. It would go as to that second concern on the Section 272 safeguards. And that would be to allow the FCC to make sure that its safeguards are not being circumvented or not being adhered to.

So as far as AT&T going over and taking a

look at the billing detail, I -- I guess the FCC could do the same thing, but if they were posted to the Internet site, it would be much easier for the FCC to do that.

COMMISSIONER LANDIS: Okay. Commissioner Johnson?

COMMISSIONER RAY JOHNSON: (Shaking head side to side.)

COMMISSIONER LANDIS: Commissioner Boyle?

COMMISSIONER BOYLE: Have you testified in other hearings?

MR. SHOCAR: I have.

COMMISSIONER BOYLE: In the Texas and New York, did you testify?

MR. SHOCAR: No. When I refer to testifying in other -- I've been in other workshops for Section 271 in Arizona and the multistate and in -- and other hearings were on other non-Section 271 matters.

COMMISSIONER BOYLE: But you didn't participate in it outside of the Qwest territory?

MR. SHOCAR: That's correct.

COMMISSIONER LANDIS: Commissioner Lowell Johnson?

COMMISSIONER LOWELL JOHNSON: No.

COMMISSIONER LANDIS: Well, then we'll move to the commission staff and then to you -- oh, no. We'll move to you, Mr. Steese. It will be your turn.

MR. WOLTERS: I have no questions.

COMMISSIONER LANDIS: Hearing adjourned. Okay. Go ahead.

MR. POST: I don't have any questions.

COMMISSIONER LANDIS: No questions. Mr. Steese?

MR. STEESE: Sure. I have a few questions here for Mr. Skluzak. Good to see you again. You said that you wanted to make a point of saying that you couldn't just waltz over and see this underlying material. You actually had to issue a data request. Do you recall that?

MR. SKLUZAK: That's correct.

MR. STEESE: And in this particular case, the reason why you wanted to review this material was so you could make presentations in proceedings just like this; fair?

MR. SKLUZAK: Yes.

MR. STEESE: And Qwest has made it abundantly clear to you, I know, in the seven-state workshop, correct, that the reason why we require a

data request is so we, for purposes of these proceedings, could keep track of the review that was going on for purposes of legal proceedings; correct?

MR. SKLUZAK: As far as "abundantly clear," I guess my answer would be no. What -- was that your intention when -- when you spoke as --

MR. STEESE: You don't recall?

MR. SKLUZAK: No, I don't recall.

MR. WOLTERS: I don't recall it either, Chuck, but that's -- that could have been made. I just don't remember it being posed quite that way to us.

MR. STEESE: We can move on to the next issue then. You said 272(h), which says the BOCs have a year from the date of passage of the act to come into compliance with the 272. You talked about that previously.

You would acknowledge, would you not, that companies like the old US WEST are not precluded from merging with another company?

MR. SKLUZAK: No. That's correct.

MR. STEESE: That's correct. And you would agree, would you not, that if there's a merger and a decision is made that you have to

transition or you plan to transition to a new 272 affiliate, it will take some period of time to get that accomplished; fair?

MR. SKLUZAK: Yes.

MR. STEESE: And so certainly it cannot happen instantaneously? There has to be some amount of transition time; correct?

MR. SKLUZAK: Yes.

MR. STEESE: When you look at Section 272(b)(2) -- and I'm going to describe what each of these are for the commission because we all know them very well, but the section numbers don't mean as much to others. This is the separate financials requirement; correct?

MR. SKLUZAK: Yes.

MR. STEESE: And here you would agree, would you not, that QC, the BOC, and QCC use separate accounting software? You would agree with that, wouldn't you?

MR. SKLUZAK: Well, I -- I don't know if I would. I thought I heard Ms. Brunsting say that both entities use PeopleSoft.

MR. STEESE: They each maintain separate accounting software; correct?

MR. SKLUZAK: I don't know. I guess I'd

have to go back and refresh my memory by reading Ms. Schwartz and Ms. Brunsting's testimony.

MR. STEESE: Well, just really brief, you recall giving testimony in the 271 docket in the seven-state; correct?

MR. SKLUZAK: Yes.

MR. STEESE: And on page 192 you say, and I quote, "According to the testimony filed by Ms. Brunsting about QCC, the 272 affiliate accounting and finance functions are performed by the services company, which is not the BOC."

And I guess that's why I was confused when you tell me that the BOC is performing the separate payroll functions -- is performing the payroll functions. So I guess payroll is not accounting and financial functions? Are we talking past each other?

Because I thought there you very clearly said you understood that there was separate accounting software systems being used by each.

MR. SKLUZAK: Okay. I guess I'm confused now. Today I'm under the impression that Qwest Services Corporation is providing the financial software, is that true, to the BOC and to QCC?

MR. STEESE: I'm asking if you know

whether the systems, the accounting software that maintains QCC's financials is separate from that which maintains QC's, the BOC's?

MR. SKLUZAK: I guess I don't know today.

MR. STEESE: You would agree, would you --

COMMISSIONER LANDIS: Well, if I might interject here, Mr. Steese? Seeings how neither one of you seem to know, but the record is useless on this, could you provide an answer in writing to Mr. Post at some point in time?

MR. STEESE: We can provide Mr. Brewster as a brief rebuttal --

COMMISSIONER LANDIS: Being her back up? Okay. Just so we don't leave today with a question that we can get an answer to.

MR. STEESE: And you would agree, would you not, that QC and QCC, the 272 and the BOC, they have separate charts of accounts, correct?

MR. SKLUZAK: They do.

MR. STEESE: And in terms of your focus on (b)(2), the separate financials, you've spent a tremendous amount of effort focusing on the transition period between the date of the merger and March 26th, correct, in your testimony?

MR. SKLUZAK: But -- but that wasn't my only focus.

MR. STEESE: I'm just asking, you spent a tremendous amount of time focusing in on that particular point on (b)(2); correct?

MR. SKLUZAK: I spent as much time on that as I did on a prior period, too.

MR. STEESE: Are you aware of any failure of QC or QCC to accrue for any transaction post March 26th of 2001, when the transition was complete?

MR. SKLUZAK: I haven't done any testing prior -- or post March 26th, so I am unaware.

MR. STEESE: Let's focus next on (b)(3), separate officers, directors and employees. Are you aware of any circumstance post March 26, 2001, where there is any officer, director or employee of QC or QCC that is the same?

MR. SKLUZAK: Inasmuch as I have not done any testing post March 26th, the answer would be no.

MR. STEESE: Okay. And Commissioner Landis asked the question about employee sharing earlier. Let me talk about that very briefly. You would agree, would you not, that employee sharing

is not prohibited? It needs to be policed; correct?

MR. SKLUZAK: Yes.

MR. STEESE: And so there is some amount of employee sharing that is perfectly acceptable by the -- according to the FCC?

MR. SKLUZAK: I guess have -- I don't know if they've made a distinct ruling on that or if that's by inference, perhaps, are you asking?

MR. STEESE: I'm asking if it's your understanding that some amount of employee sharing is acceptable according to the FCC.

MR. SKLUZAK: I guess my answer to that would be I don't know, because to the extent it is out there, it would be by inference. I haven't seen any announcement on it.

MR. STEESE: One moment. And, again, I'm reading on the top of page 294 from the multiassoc. And you said, "You know, I would agree with Mr. Steese or characterizing what he said, it would be nonsensical not to have any transferring of employees between these two, but it needs to be properly policed."

Do you remember giving that testimony?

MR. SKLUZAK: Well, I -- I don't remember

it, but I -- I take it it's an accurate portrayal of what I said.

MR. STEESE: And to the extent that an employee sharing arrangement occurs and the employee that is shared is a QC, BOC, employee, then what Qwest would need to do is post a transaction with rates, terms and conditions on the web site, disclosing, so that way if AT&T or some other IXE wanted to get similar services at the same rates, terms and provisions, they could do so; correct?

THE WITNESS: Well, no. That's not correct. And once again, that underlines what I was trying to say to the commission is, the second purpose of posting is so that the FCC can determine that their safeguards are not being circumvented.

MR. STEESE: So what was incorrect about my statement?

MR. SKLUZAK: You said just so that the -- AT&T or the interexchange carriers can, so that -- that's one purpose of two purposes.

MR. STEESE: So we -- Qwest Corporation, the BOC, would be obligated to post on the web site the rates, terms and conditions; correct?

MR. SKLUZAK: Correct.

MR. STEESE: When you look at your testimony, you spent time talking about how Qwest Communications Corporation, or QCC, and Qwest LD have failed to post transactions within ten days; correct?

MR. SKLUZAK: Correct.

MR. STEESE: And that's based on what we've talked about with Ms. Schwartz in her direct, that being that you believe it's insufficient for a Bell Operating Company to post one large transaction, then conduct business under it month to month; correct?

MR. SKLUZAK: Among other things.

MR. STEESE: But you think that would be inappropriate?

MR. SKLUZAK: Yes.

MR. STEESE: Have you reviewed the QCC web site?

MR. SKLUZAK: No.

MR. STEESE: Are you aware of whether QCC posts monthly transactions or whether they just post one broad transaction and then provide services, much like Qwest is offering today?

MR. SKLUZAK: Based on, I believe, Ms. Schwartz's testimony in previous workshops, I

have been made aware of that.

MR. STEESE: But you have not looked to see whether that's accurate or not?

MR. SKLUZAK: No.

MR. STEESE: You also spent some time talking about billing errors that Qwest identified for the month of March; correct?

MR. SKLUZAK: Yes.

MR. STEESE: Have you looked in the April, May time frame, after the initial transition was complete, to see whether or not the billing information was properly being tracked?

MR. SKLUZAK: No.

MR. STEESE: Do you dispute Ms. Schwartz's testimony that there is less than one percent inaccuracy in each of those months?

MR. SKLUZAK: In which months are those?

MR. STEESE: For April and May.

MR. SKLUZAK: Once again, inasmuch as I did no testing, I could not dispute those.

MR. STEESE: Are you aware of any situation after March 26, 2001, when the transition was complete, where Qwest failed to post a transaction on the internet within ten days?

MR. SKLUZAK: Once again, the same answer

as before, no.

MR. STEESE: Earlier today I thought I heard you say, and I think I read it in your testimony as well, that you believe Qwest's obligation to post transactions between QC and QCC began sometime before January of 2001. Did you say that?

MR. SKLUZAK: I did.

MR. STEESE: And you would acknowledge, would you not, that in the seven-state proceeding you testified that there was no such obligation until January 1 of 2001?

MR. WOLTERS: I'm going to interject here. I --

COMMISSIONER LANDIS: Object or interject?

MR. WOLTERS: Interject. I think if you look further in the record, MCI said that it was reviewing whether it believed from a legal matter that there was an obligation to post effective date of the merger.

MR. STEESE: I'd still like an answer to my question, if I could?

COMMISSIONER LANDIS: Sure.

MR. STEESE: You testified to that point

in the seven-state, didn't you?

MR. SKLUZAK: I probably did.

MR. STEESE: One other point. You have in your prefiled testimony with respect to 272(c)(1), which is part of the nondiscrimination provisions, that you have concerns about (c)(1). In the multistate you testified that those concerns have gone away. I'm not sure which it is at this point. I just want to know the timing of your filing here, when it was vis-a-vis the workshop.

Do you still have concerns about (c)(1)?

MR. SKLUZAK: If you'll allow me a moment to briefly review that. And I'm looking at page -- pages 60 through 64 of my prefiled testimony. So as not to dismiss what I wrote there, I would state that paragraph 132 is the pertinent paragraph that the commission would want to look at.

Perhaps, Mr. Steese, what you're getting at is -- well, no, I -- I'm not sure what you are getting at.

MR. STEESE: I'm reading here, and maybe I'm misunderstanding it, Mr. Skluzak, but on page 152 of the transcripts in the multistate you say, and I quote, "I wrote a comment to the effect that we cannot determine compliance with 272(c)(1) until

we receive all information. Since the writing of that comment, I received sufficient information so that would not block a determination as to compliance with 272(c)(1)."

And so I'm wondering, since I think this is more recent, that now your concerns about Section 272(c)(1) have gone away.

MR. SKLUZAK: I -- they haven't. And without going onto a proprietary record here, I would just point the commission's attention once again to paragraph 132 where I have limited my concern, if you will, in response to what was brought up in the multistate to that particular paragraph.

MR. STEESE: So is there anything that's happened since the multistate? Maybe I'm not understanding.

MR. SKLUZAK: Well, I believe in the multistate that the transcript will reveal that we did discuss these specific examples that I talk about in paragraph 132.

MR. STEESE: Okay. Let me look at that quick. We can -- you're talking about the reference to a separate affiliate, and the name of it is US WEST Advanced Technologies?

MR. SKLUZAK: That's correct.

MR. STEESE: And so here you think that the obligations of Section 272 extend beyond the BOC and the 272 to yet a wholly separate affiliate? Is that what you're saying?

MR. SKLUZAK: I discuss in paragraph 139 of my testimony, footnote 125, the chain transactions. And I believe that you, Mr. Steese, questioned me extensively on the chain transaction rules, which is in the multistate transcript.

MR. STEESE: I'll let the record stand as it is, then. Moving on to 272(e), the separate special requirements, if you will. In past 271 decisions, all the FCC has required here is a statement from the BOC that it will impute access if that's been deemed adequate for 272(e); correct?

MR. SKLUZAK: Well, I don't want to be rushed here in agreeing with you. That's -- that's certainly one of the indications of compliance with this section. And Qwest has now put such a -- such a statement in their testimony, but without spending the commission's time looking through this, I guess I can't agree with you right off the top of my head.

MR. STEESE: Okay. That's fine. We'll

move on to the last area, 272(g), a separate -- or, excuse me, joint marketing requirements.

Here, Mr. Skluzak, you're -- you've said that you think heightened scrutiny should be placed on Qwest visa vis other BOCs with respect to Section 272(g); correct?

MR. SKLUZAK: That's correct.

MR. STEESE: And so you would acknowledge that Qwest is meeting 272(g) today. If the same rules that apply to Texas and New York were applied to Qwest, they would comply, but you think something more needs to be done to Qwest; fair?

MR. SKLUZAK: Well, I don't think that is a fair statement. The FCC takes a look at these applications on a case-by-case basis. So, therefore, maybe Qwest is not meeting Section 272(g) given Qwest's past history, also US WEST's past history of getting involved in Section 271 interregion long distance.

MR. STEESE: I don't think you answered my question. I'm saying if the same tests that were applied to New York and Texas were applied to Qwest, Qwest meets 272(g), doesn't it? And you're asking for some heightened scrutiny because of what you're concerned about, past practice?

MR. SKLUZAK: Well, I can't answer that yes or no. Once again, it's on a case-by-case basis. Did Bell Atlantic, did SBC have the past history of getting involved in 271 and violating Section 271? I don't think so. So it's a different case.

MR. STEESE: I still don't think you're answering the question. What you're basically saying is you can't directly draw an analogy; is that what you're saying?

MR. SKLUZAK: Yes.

MR. STEESE: Just give me one more moment. I don't think I have any more.

COMMISSIONER LANDIS: Okay.

MR. STEESE: That's all the questions that I have.

COMMISSIONER LANDIS: Any redirect?

MR. WOLTERS: Just a couple of questions. Mr. Skluzak, Mr. Steese asked you a number of questions regarding a transition and whether a company should have some time to transition before -- when it becomes a Section 272 affiliate.

Do you remember those questions?

MR. SKLUZAK: I do.

MR. WOLTERS: Now, do you believe

tran- -- this so-called transition period gives the Section 272 affiliate the right to not comply with the 272 obligations that are set forth in the act under the FCC's orders? Does that transition that you talk about give them a waiver during that period?

MR. SKLUZAK: No. I -- I don't think waiver language is anywhere involved in Section 272(h).

MR. WOLTERS: So what you're -- so when you look at a transition, you believe -- it's your testimony that they should go through the transition prior to becoming a Section 272 affiliate or after they become a 272 affiliate?

MR. SKLUZAK: After --

MR. WOLTERS: Excuse me? What --

MR. SKLUZAK: Could you rephrase the question?

MR. WOLTERS: My point is, is that you may agree there's a transition period, but do you believe the transition period should happen before they become a Section 272 affiliate?

MR. SKLUZAK: Oh, yes.

MR. WOLTERS: I have no further questions.

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF COLORADO

Docket No. 97I-198T - Workshop 7

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IN THE MATTER OF THE INVESTIGATION OF US WEST COMMUNICATIONS, INC.'S COMPLIANCE WITH SS 271(c) OF THE TELECOMMUNICATIONS ACT OF 1996.

Pursuant to notice to all parties of interest, the Technical Workshop was held at 8:35 a.m., July 24, 2001, at 3898 Wadsworth Boulevard, Lakewood, Colorado, before Facilitators Hagood Bellinger and Martin Skees.

APPEARANCES

(As noted in the transcript.)

MS. SCHWARTZ: Now that we understand who the BOC is and who the 272s are, and hopefully we do, let's talk about the separate affiliates -- the specific 272 requirements.

272(a), separate affiliate, means that the BOC has to offer -- must create a separate company to offer long-distance from, and we have.

272(b) are the structural and transactional requirements that we must operate the 272 separate from the BOC, and we do.

272(c) contains the nondiscrimination safeguards. We must treat -- the BOC must treat the 272 just like any other interexchange carrier, and we do.

272(d), the biannual audit provisions. Once we have authority to offer long-distance service, we're required to obtain a 272 audit every two years and that will begin one year after we have 271 authority, and we're prepared to do that.

272(e), fulfillment of certain requests contains special nondiscrimination safeguards provisions that we're prepared to follow.

272(f) contain the sunset rules and that talks about when 272 actually expires.

272(g), finally, are the joint

marketing provisions. Those discuss how we can market both local and long-distance service together, and we're prepared to follow those requirements.

The next slide is probably the most important slide of my presentation this morning. That talks about the significant events or milestones in our 272 history.

The first bullet that I circled on a chart that appears behind me here, Qwest Long-distance, or US West Long-distance before the merger, has been a compliant Section 272 subsidiary since the release of the Act. We have always had a compliance Section 272 subsidiary and that's very important to remember.

The next bullet brings us to the transition in our history when we went through the Qwest-US West merger. That took place in the latter half of last year. That created some one-time challenges and disruptions in our accounting controls and we'll talk about that a little bit later.

After the merger we decided to change the designation of our 272 affiliate from Qwest Long-distance to QCC. We made that decision in January of this year and then we spent the next three months transitioning QCC to be Section 272 compliant.

That brings us to where we are today.

that QCC is a compliant Section 272 subsidiary as well as Qwest Long-distance.

A little more about Qwest Long-distance. We plan to operate it as a reseller as opposed to -- as a reseller, I should say. Again, it's been compliant since 1996 to the present. We're planning to dissolve it later this year and Ms. Brunsting will talk more about that.

One more time, Qwest Long-distance establishes a five-year history of Section 272 compliance for Qwest Corporation.

Now that we understand the impacts of long-distance as a compliant Section 272 subsidiary for five years, let's talk about the Qwest merger.

As most if you know, it had significant impacts on all operational areas of our business. It was a merger between two very different multinational companies. One was a local service provider, the other a long-distance company. It required the integration of a nonregulated culture with a regulated culture. Again, it triggered a decision in the third quarter of last year for us to reassess our designated Section 272 affiliate. Then it also created some one-time disruptions in our accounting controls.

We realize that a merger of this size

would trigger some one-time disruptions and we were ready with strength and controls and we made corrections immediately as they became known. As a matter of fact, almost all of the discrepancies that appear in AT&T's testimony were discovered by Qwest's internal controls and provided to AT&T a summary control report, and those discrepancies were subsequently corrected in the following month. We'll talk about those as well.

The Qwest merger resulted in strategic and employee realignments and other operational arrangements we had to execute in compliance with all federal and state regulation.

What were the impacts of the Section 272 transition, the merger resulted in a decision to change our designated 272 affiliate. The new Section 272 affiliate, Qwest Communications Corp., was identified or named in January of last year -- 2001, January of this year.

Again, QCC will be a facilities-based provider versus a reseller by Qwest long-distance. We had to overlay the Section 272 controls that we had in place at Qwest Long-distance onto QCC and then we

further strengthened those controls through learnings that we had in the Qwest merger transition. We turned up QCC as a compliant Section 272 affiliate on March 20 of this year. Congress gave the BOCs one year to make their 272 affiliates compliant when they reviewed the Act. We made QCC a compliant 272 subsidiary in just three months, all while maintaining Qwest's Long-distance as a compliant 272.

Now that we understand how the merger transition in the Section 272 transition for QCC created some one-time disruptions in our processes, let's talk about the specific and critical 272 requirements.

MS. SCHWARTZ: 272(b)(1), operate independently. QC, the BOC, and QCC the 272 cannot and do not jointly own any network facilities or the land or buildings on which those facilities are placed. There can be no transfer of any network facilities from QC, the BOC, to QCC the 272, there can be no operation, installation or maintenance, or OI&M, on QC or the BOC's facilities by the 272. Conversely, there can be no OI&M performed on QCC's or the 272 facilities by the BOC or any other Qwest affiliate, for that matter.

QC cannot provide any discriminatory access to network service. We've satisfied the operate independently requirement by monitoring all of our network assets transfers and through the extensive training we've conducted with our network leaders and staff personnel. QC doesn't perform any OI&M for QCC or vice versa. AT&T did not dispute our compliance with 272(b)(1).

(b)(2), separate books, records and accounts. QCC, the 272, must maintain books, records, and accounts that are separate from the books, records, and accounts of the BOC, or QC. QC, the BOC, uses separate financial system, controls, edits, and we have separate general ledger systems that are maintained at separate locations that Ms. Brunsting can talk about in a little more detail. QC, the BOC, has a separate chart of accounts from QCC the 272.

AT&T contested our compliance with (b)(2) but agrees we have separate charts of accounts, and those were filed in my direct testimony and also the testimony of Ms. Brunsting, and those were marked as exhibits 7-Qwest-1 and 7-Qwest-3. They also understand that we use separate versions of PeopleSoft and that those separate softwares are maintained at separate physical locations. So their concerns are

unfounded. We have sufficient processes in place to

maintain separate books, records, and accounts and we satisfied the FCC's test from previous approval orders.

Another issue that came up in AT&T's testimony was compliance with GAAP. What's important to remember here, all publicly traded companies are required to follow GAAP. The parent and QC, the BOC, undergo regular financial statement audits. As most of you know, the BOC starts with GAAP, Generally Accepted Accounting Principles, and we overlay additional FCC and Colorado state-specific requirements. GAAP uses materiality in assessing compliance. AT&T has maintained that it's inappropriate to use materiality when assessing GAAP, but even the FCC recognized the use of materiality in GAAP in Part 32.26. FCC Part 32.26 is a cite to the FCC rules, for those of you who aren't familiar with that cite.

All Qwest companies are required to follow GAAP, and they do. We have dozens of professional accountants employed by the company to ensure we follow GAAP. That's part of my job. We also have an unqualified audit opinion from the company's auditors for QC, the BOC, and QCI. We entered those as Exhibits 7-Qwest-6. 7-Qwest-6, the first page is the audit opinion of Arthur Anderson for Qwest Corporation,

opinion for QCI, the parent company, showing that the two companies follow GAAP.

Moving on to 272(b)(3), separate officers, directors, and employees. Again, QC, the BOC, and QCC the 272 must have separate officers, directors, and employees. Any BOC employee who performs functions for the 272 is required to report their activity so that QCC can be billed appropriately under FCC pricing rules found in Part 32.27.

AT&T contested our compliance with (b)(3) due to pre-272 transition structure and leased employee practices. We voluntarily modified our loan employee practices to limit the duration to four months. We've satisfied the FCC's test used in both New York and Texas for compliance with separate officers, directors, and employees by making our officer list public filed in our testimony, by comparing payroll registers to ensure that no employee appears on both payroll simultaneously, and by having strict employee transfer and hiring policies that spell out the 272 requirements as well as maintain the confidential information of the BOC.

272(b)(4) I'll touch on briefly. Again, that creditors of QCC the 272 may not have

recourse to the assets of QC and BOC and they do not.

We satisfied the no recourse requirement of Section 272 by reviewing all of our debt agreements, and I was a part of that review through extensive training efforts to ensure those requirements are understood and complied with. AT&T did not dispute our compliance with 272(b)(4).

272(b)(5) is probably the most contested area of compliance with Section 272. That requires that transactions be at arm's length, in writing, and posted to the Internet. All transactions between the 272 and the BOC must be reduced to writing and we've documented those by tariff, by standalone agreement, or by service agreement. All transactions between the two companies must be posted to the Internet within 10 days, and they are. Rates, terms, and conditions of every transaction must be made publicly available to ensure that the accounting safeguards are being maintained and to make them available under the same rates, terms, and conditions to third parties. All transactions on the Web site are reviewed by the Section 272 compliance oversight team of which I'm a member, and we fashioned our oversight team after SBC's compliance committee.

We've satisfied the Section 272(b)(5) requirements by documenting all of our transactions,

conducting them subject to the Part 32.27 FCC pricing rules, and posting them to the Internet within 10 days. We reconcile all of our transactions to the cost allocation manual, we reconciled them to the CAM audit spread sheets and to the ARMIS reports which are filed at the FCC on an annual basis. This is consistent with the FCC's test where (5)(b) compliance in previous 272 approval orders.

More about the 10-day posting requirement. AT&T maintained we should have posted transactions for QCC even before it was named a 272 affiliate in January of 2001. They also ignored our need to make the 272 -- the new 272 affiliate 272 compliant. Again, that took us about three months to ensure.

Qwest has always met the 10-day requirement for Qwest Long-distance, our old 272 affiliate, and we continue to meet the 10-day requirement for QCC, our new 272 affiliate, since we turned up the QCC or new 272 Web site on March 26th of this year.

We can go to two exhibits that were provided in this proceeding, 7-Qwest-7 and 7-Qwest-8.

7-Qwest-7 is the Qwest long-distance Internet posting record and that basically computes the time interval

between the date the document was signed or executed and the date we posted it. If you go down to the bottom right-hand corner you can see that the average posting time for QLD transactions was 6.7 days.

Moving on to 7-Qwest-8. It's laid out in pretty much the same fashion. That is the Internet posting record for QCC, the new 272 affiliate. Again, computing the days between the days that ensued between when the agreement was executed and when it was posted to the Internet, for QCC we had an average posting time of 4.7 days. In both cases clearly below the 10-day posting requirement.

MS. JENNINGS-FADER: For clarification, is that calendar days or business days?

MS. SCHWARTZ: Calendar days.

MS. JENNINGS-FADER: Thank you.

MS. SCHWARTZ: Moving on, more about (b)5. Sufficiency of posting detail.

The FCC gave us guidance in the Bell Atlantic New York order where they rejected AT&T's assertion that Bell Atlantic standout postings did not contain sufficient detail to show that Bell Atlantic

would comply with 272(b)(5). That can be found in paragraph 13. The FCC concluded that the following must be posted: Number and type of personnel assigned

to the project, level of expertise of such personnel, any special equipment used to provide the service, and the length of time required to complete the transaction.

AT&T has maintained that we should post actual transaction involvement. For example, to the extent we have a human resource service posted with the appropriate rate, terms, and conditions that include number and type of personnel, level of expertise and so forth, they also would like us to post confidential information that will show how many employees have actually purchased the human resource service.

The FCC concluded that volume doesn't have to be posted to the Internet.

MR. WOLTERS: What paragraph is that? The SBC Texas?

MS. SCHWARTZ: I believe it would be on or around 4-13, but I can verify that for you. That should be in my testimony.

MR. WOLTERS: Okay. That's fine.

MS. SCHWARTZ: That's New York. I can get back to you with that, Mr. Wolters, but I believe it's in my direct testimony.

We do satisfy the FCC's requirement for

sufficiency and we can refer to two more exhibits in

this proceeding today, 7-Qwest-9 and 10.

7-Qwest-9 comes from the Qwest long-distance or old 272 affiliate Web page. The first page provides an overview of the Web site. I'll walk you through the document and you can read this at your leisure. The next few pages contain the current transactions or transactions that are in effect today; the master services agreement, for instance, which provides general guidelines as to how the two companies will conduct their business, and then actual work orders and task orders or the specific agreements that have been executed between the two companies.

The same sort of detail is available in 7-Qwest-10 for QCC, the new 272 affiliate. An overview page that basically describes the companies and the Internet site -- on the third page of that exhibit you can see the actual work orders and task orders that are currently in effect today and you'll find quite a bit more volume on the QCC Web site since we've been winding down LB, the old 272 affiliate. Then examples of services that are actually being provided today in the case of QCC, there are descriptions for human resource services and then also for the shared space

and furniture rental agreements.

Moving on that to slide 20. What has

our performance been with regard to accuracy with our transactions for QCC and posting those to the Internet? The FCC has historically measured accuracy in terms of discrepancies between the prices that are posted on the Web and the prices that are actually billed back and forth between 272 affiliate and the BOC.

In the chart that I provide here, you can see the 272 transition period, the January, February, March time frame that we talked about earlier when we were making QCC 272 compliant. The first month we actually had accounting data to review was in the March time frame. In March we had a discrepancy rate between what we had posted on the Web and what we actually were preparing to bill of 12 percent. We expected some one-time problems that first month, and we were ready with strength and controls and we had additional staff ready to review transactions. We've gotten our discrepancy rate down to zero in April, to zero in May, and preliminary review of June data appears very good as well. As soon as that's available, we'll provide that to AT&T and update the record.

We reconcile all of our transactions

with our 272 companies on a monthly basis, both what we bill and accrue. We adjust any differences in the

month following discovery.

Once again, we did expect issues in the first month of processing, but we were ready with strength and controls and we've gotten our discrepancy rate down to zero.

The best way to sum up Section 272(b)(5) is with more guidance from the FCC and SBC Texas where they said that BOCs must demonstrate that they have internal control mechanisms that are reasonably designed to prevent as well as detect and correct any known compliance with Section 272. We've demonstrated that we have the appropriate controls in place to satisfy both the FCC and state requirements.

MS. WAYSDORF: Would the rates that are billed under that contract between the affiliate and the BOC and any discrepancies between the actual rates that were billed, assuming there were, hypothetically, and the rates that are listed in the contract or contained in the contract, would that then be included in the calculation that's done monthly as described on your slide 20 so that if, at this point in time, the contract said that piece of dark fiber was $10 a month but it actually got billed at $5 a month, would that come out in this sort of form and would that information be available to others?

MS. SCHWARTZ: Yes. Any service that you see on that exhibit, we're reconciling all services on a monthly basis. That reconciliation is not public information. It's not required to be public but it has been -- will continue to be made available in this proceeding as long as it's open.

MS. DOBERNECK: I'm interested in the accounting controls to determine discrepancies and things of that nature.

MS. SCHWARTZ: Absolutely. We did move a lot of folks into the 272 area to focus directly on identifying services, on pricing services, and then also reconciling services. In addition, we hired a team of accounting professionals from Arthur Anderson to come in and they conducted I believe over 150 interviews of personnel in each of our business units to ensure that we had identified any services that were being purchased from or provided to the 272. So those would be some examples of where we ramped up resources in order to implement 272 accounting controls.

MR. BELLINGER: I believe you said you were going to cover this later anyway? Could we wait until we finish the presentations and go back to questions?

MS. DOBERNECK: I'm happy to wait.

MR. BELLINGER: Why don't we find this in your other presentation.

MS. SCHWARTZ: I had a few more pages to go there.

Prior to doing that. Mr. Wolters had asked earlier about the cite in SBC Texas for the FCC, starts to get into the discussion of volume and confidential agreements and so forth. That starts at paragraph 405 and continues to 407.

Back to slide 22 where we talk about the 272(c), nondiscrimination safeguards. We talked about that in our discussion earlier, that QC, the BOC, must and does make available goods, services, facilities and information that it provides to the 272 to other long-distance carriers at the same rates, terms, and conditions. We demand straight compliance with 272(c) by insuring that QCC, the 272, obtains information and services from the BOC through the same processes as other interexchange carriers. That would be through the sales executive team contacts. QC, BOC, must post transaction between the two companies to the Internet site, and we talked at length about that, and that all agreements between the BOC and the 272 are reviewed by that 272 oversight -- compliance oversight

team that I discussed earlier that I'm a member of.

All BOC employees are required to treat QCC, the 272, like any other exchange carrier and we've demonstrated we have sufficient controls in place to satisfy 272(c).

On slide 23 I'll touch on the biannual audit in the interest of time. We talked about that earlier as well. Once we have 271 authority we'll have a 272 joint and federal state audit. Every two years that will begin in the first 12 months of operation. It's very important to know that this is not the only place where Section 272 compliance will be assessed. It will be continually assessed through 272 biannual audit process and the FCC has placed heavy reliance on the existence of the biannual audit in each of its 271 approval orders.

Wrapping up, we've provided sufficient evidence on the record to prove we are 272-compliant ready. We've had compliant Section 272 subsidiary since 1996; that was Qwest Long-distance. We successfully transitioned to a new 272 this year, QCC. We've demonstrated that we have sufficient controls in place to comply with Section 272, an FCC requirement. We'll continue to supplement the record in this proceeding regarding the 272(b)(5) Web discrepancies

we talked about in detail.

Finally, we'll reaffirm our 272 compliance through the first biannual audit and thereafter as long as 272 is in place.

We've demonstrated that our 271 authority will be carried out in compliance with Section 272 and that's the FCC's test. We ask that you find we have met the burden of proof in showing Section 272 readiness.

Thank you.

MS. WAYSDORF: I have one very quick question. It's just a follow-up on Mana's questions. And Ms. Brunsting, when you testified that every employee receives this training within 10 days of employment, and then it's part of their annual

compensation, I would assume that's what you meant. When you say, "every employee," do you mean every employee of the company or every employee of the 272 affiliate, of QCC?

MS. BRUNSTING: Currently today, every new employee has an orientation training package that they take. It not only covers 272, it covers other anti-trust issues, other protections, so that the telecommunication question included 272 on that, because we do feel it's important that every employee have an overview of 272.

Now, if I move into the 272 affiliate, I will then be given access to a more in-depth, detailed training or overview package. Similarly, if I were a network employee in the local company or the BOC, I have another, more specific, defined set of training that's available to me on the Web.

MS. WAYSDORF: Do the employees of the BOC, Qwest Corporation, also receive this more in-depth training on 272 issues?

MS. SCHWARTZ: To the extent that they have direct dealings with the 272 subsidiaries. So, for instance, in the wholesale organization, where the account team contacts reside, they do undergo more

specific targeted 272 training. So, just to recap, all

Qwest employees are trained on Section 272 in the annual compliance training. Within 10 days, if they were new hires, and depending on what their specific job functions are, they may have more targeted 272 training.

MS. WAYSDORF: The more in-depth training you said is available on the Web, is that voluntary? Is that a requirement then, that if I were, for example, if an employee moves into Qwest's QCC, you said that more in-depth training is available. By available, it means, you know, you can take advantage of it, if you choose to, or is it a requirement when you are moving into that subsidiary?

MS. BRUNSTING: It is a requirement for those managers to ensure that their employees partake of that additional coverage. It's a requirement that they have that. Likewise, the annual compliance training. That's a requirement that they are covered on that.

MS. WAYSDORF: Thank you.

MR. WOLTERS: Mr. Brunsting, is that dot under laminate or on top of the laminate?

MS. BRUNSTING: It's on top, so your dot

can fall off.

MR. BELLINGER: Then your presentation.

MR. SKLUZAK: I will do that. Ms. Brunsting, I guess I was surprised, and I may have misheard you, but when the question was asked, what sort of services does Qwest Service Corporation provide, I thought I heard you say product design, planning and/or development service.

MS. BRUNSTING: Uh-hum.

MR. SKLUZAK: So, to QCC?

MS. BRUNSTING: Yes.

MR. SKLUZAK: The reason I am surprised is, I guess I was under the impression -- in my direct testimony, I talk about this, starting on page 67, that QC, the BOC, was providing those sort of services to QCC.

MS. BRUNSTING: Prior to the announcement of the new 272 affiliate, and during that transition period from January through March, there were product development and implementation services being provided by QC to the BOC to the 272. After that date, the product development services have all been centralized at the service company level. There are some product managers that reside -- that solely work on local

service, for instance. They're in QC, okay? But the product development functions and planning are held at

the services company.

MR. SKLUZAK: QSC.

MS. SCHWARTZ: If I could just add, Mr. Skluzak, that list of services was attached in my supplemental affidavit, filed on June 4, to -- there's an exhaustive list of those services.

MR. BELLINGER: Okay. Any one have any further questions then?

MR. MUNN: Hagood, I think Ms. Schwartz would like to respond to some of the allegations made by -- Mr. Skluzak just made now on the record.

MR. BELLINGER: Okay. Mana.

MS. JENNINGS-FADER: I am sorry. Mr. Skluzak, then also Qwest, I am not asking this just of one person. Is there anyone at AT&T who -- or any other CLEC who would like to address -- has any thoughts about the loaned employee policy, the limitation of the policy to four months loan from one company to another. Whether --

MR. SKLUZAK: Rick may want to chime in here, but I will just give you my thoughts on that. We think it's a step in the right direction. I pointed this out in my direct testimony, that it's a free flow of employees, first of all, moving back and forth, which actually is a separate but tangential issue, but also this policy of loaning employees that are 100 percent dedicated for big amounts of time goes against the spirit of Section 272(D) as to separation of employees. If you are going to have actual true separate entities, how can you have an employee that's 100 percent dedicated that originated from QC going to

QCC. This was brought up in lots of detail in the multi-state, and I believe either Ms. Schwartz or Ms. Brunsting, I can't remember which, brought up this formal policy subsequent to that discussion. So, I think it's a step in the right direction. But that does not excuse the past behavior and what's occurring. You will still need to take that into consideration.

MS. JENNINGS-FADER: And then I would like to add -- I meant to ask this earlier and I apologize for not doing so. Could you -- could Qwest explain the derivation of what used to be -- what was the policy, if any, with respect to the loaning of employees for 100 percent dedication as among and between the affiliates. Why Qwest went to four months, and then if Qwest has any plans to reduce that four-month period even further, or is Qwest satisfied with the former time period? So I would like to have a little discussion on that.

MS. BRUNSTING: Okay. The previous 272 affiliate, Qwest Long Distance, over it's probably four years in existence, I don't know of any examples where 100 percent of an employee's time was fully dedicated or that employee was then loaned to the BOC affiliate. If they provided services to the BOC, and the agreement

was placed out on the Internet, it certainly was not

100 percent of their time. Their time was charged accordingly, et cetera.

During the transition period, from July 2000 through March, when we identified the new 272 affiliate, in order to correctly allocate a number of the costs, that there are several work orders out there that would indicate we had employees aligned in certain entities, that, therefore, 100 percent of their time was being employed or dedicated to the BOC or the 271. It is our intention, at the onset of putting that policy in place, that would prohibit that loaning, was so that in future transition period reorganizations, however, that we continue to not utilize that loaning of employees or the sharing of employees, and that we would minimize that to a particular service or a part of a certain activity that an employee was providing, because it does, over time, appear to be sharing.

MS. JENNINGS-FADER: Could you explain -- first of all, I understand you talked about QC -- excuse me, the prior 272 affiliates to the BOC. What about from the BOC back to the prior 271 affiliate?

MS. BRUNSTING: I believe we received service from particular --

(Discussion off the record.)

MS. JENNINGS-FADER: Okay. Well, let's

see if we can reconstruct this. Let's go back to the question, which was my question to Qwest about the affiliates, the use of employees by the old Section 272 -- the use of the old 272 affiliate employees by Qwest Communications -- no, Qwest Corporation, the BOC. Okay? And you had some explanation about what that sharing or employee loans or whatever you want to call it may have been, so just repeat that, please.

MS. BRUNSTING: Okay. The services that were previously provided by Qwest Long Distance to the BOC, or by the BOC to the 272 affiliates, premerger, those services were always reduced to writing and posted on the Internet. The types of service that were included there were financial type analysis services. There were some public media type of services that were provided back from the 272 affiliate to the BOC.

What I would say is that, to my knowledge, there was no 100 percent designation of an employee that was on loan to the BOC from the 272, or from the BOC to the 272, both directions.

MS. JENNINGS-FADER: I am sorry.

MS. SCHWARTZ: I would just like to add a cite out of the nonaccounting safeguard order that

Mr. Brunsting had referred to earlier. I am just going for read from this cite. It's in paragraph 179. And

it appears on page 8 of my rebuttal affidavit. "We also decline to impose the prohibition of sharing of services other than operation, installation and maintenance services on policy grounds. We find that if we prohibit the sharing of services, other than those restricted pursuant to 272(B)(1), the O&M, the BOC and Section 272 affiliates would be unable to achieve the economies of scale and skill inherent in offering an array of services."

MS. JENNINGS-FADER: Okay. Now, thank you. With respect to the -- I don't believe this answer is now on the record. Can you explain to the commission, please, why the duration -- the policy duration on loaning of employees is four months?

MS. BRUNSTING: A time period was selected to best continue to meet some efficiencies within the corporation. And four months seemed to be an appropriate time period that we could utilize and manage, so that it would be reduced to writing, however, and posted on the Internet. It was one control we could put in place with the time period and manage and control.

MS. SCHWARTZ: I would just like to add that loaning employees is not specifically prohibited

by the FCC. So we felt that we had some discretion

there. And it's my understanding that the workshop processes have been kind of give and take. So this was something that we came to the table with to reduce our loaned employee duration times to four months. So, it was a give on our part.

MS. JENNINGS-FADER: Now, with respect to the four months, is that, as I have understood you so far to say, that the prior practice was not to loan 100 percent of an employee's time, but rather to split the employees' time in some way, as a past practice, correct?

MS. BRUNSTING: That was the general understanding, yes.

MS. JENNINGS-FADER: Is that the current practice? That these loans are not 100 percent of an employee's time?

MS. BRUNSTING: The current is, yes. No 100 percent of an employees' time for more than four months at any 12-month period.

MS. JENNINGS-FADER: There's been a change from the past practice?

MS. BRUNSTING: It's an actual policy now.

MS. JENNINGS-FADER: That's not my question. There's been a change from the past

practice? In the past, the policy was not to loan 100 percent of the time. The current practice is that, one, it is possible to loan an employee up to four months for 100 percent of that employee's time?

MS. BRUNSTING: It was always possible to loan -- to utilize an employee for, let's say, up to 12 months in any -- as long as you had it reduced to writing and posted on the Internet. We didn't have a policy that foreclosed that.

MS. JENNINGS-FADER: To do 100 percent of an employee's time up to a year?

MS. BRUNSTING: I do not know of any instance where 100 percent of an employee's time was used.

MR. MUNN: That was her discussion, is that it doesn't occur, the 100 percent of the time.

MS. JENNINGS-FADER: Mr. Munn.

MR. MUNN: Didn't occur.

MS. JENNINGS-FADER: I appreciate that, the fact that you are attempting to help me to understand the witness's testimony. But I would like to talk to the witness about this, because I want to understand what the past policy was and whether the

current practice and policy is changed from the past

policy So, let's talk about the past policy.

MS. BRUNSTING: There was not a formal policy.

MS. JENNINGS-FADER: So, one could have had an employee -- this is what I am trying to understand.

MS. BRUNSTING: Yes.

MS. JENNINGS-FADER: One could have had an employee who was, quote, loaned, unquote, to a separate affiliated corporation, the 272 affiliates to the BOC, for 100 percent of that employee's time, up to 12 months. That was the prior policy. Am I correct?

MS. BRUNSTING: That situation could occur, yes.

MS. JENNINGS-FADER: Whether it did, in fact, occur is a different question, but the policy was that.

MS. BRUNSTING: Yes.

MS. JENNINGS-FADER: The current policy, whether or not it occurs, is --

MS. BRUNSTING: Is that the time period is restricted.

MS. JENNINGS-FADER: To four months.

MS. BRUNSTING: To four months. I cannot, 100 percent of the time, utilize an employee

for another area for more than four months out of any

12. It's a reduction.

MS. JENNINGS-FADER: Okay. Now I am curious to know, given the list of services performed from the Qwest Services Corporation, shown on Exhibit MES-6, of Exhibit 7-Qwest-3, why is it necessary to have -- what efficiencies are gained from the loan of employees as between the BOC and the 272 affiliate, given the nature of what I think is happening at the service level.

MS. SCHWARTZ: Exactly. I think what Ms. Brunsting has alluded to is that this practice is pretty uncommon. Doesn't happen very often. And, so, there hasn't been -- there hasn't been an, I guess, a lot of emphasis or question or concern around past practices. And to the extent that AT&T mentioned some concerns, that were primarily out of those one-time transactions that took place during the transition period, we basically volunteered to limit our policy to four months. But, again, in either case, the transaction would be posted on the Internet and made available to third parties at the same rate, terms and conditions, but it's pretty uncommon and for the reasons just mentioned; that a lot of the services are

actually being provided out of the services company.

MS. JENNINGS-FADER: Right. So, now my

question is, why is there a policy that allows loan of employees at all, notwithstanding the fact that the FCC has not prohibited the practice. Let's put that to the side. What is Qwest's reason for wanting to have the ability to do this loaning?

MS. BRUNSTING: It is a position, on our part, to best and most extensively have the opportunity to utilize our employees in other areas. And also, under certain circumstances, to make that publicly available, but to manage our business.

MS. JENNINGS-FADER: Thanks.

MR. SKLUZAK: Can I make a comment, just a follow-up on this line of questioning?

MR. BELLINGER: Sure.

MR. SKLUZAK: As regarding this employee-sharing policy, there's lots of mention of posting, making publicly available. That implicates Section 272(B)(5), which encompasses the posting and also Section 272(C), which is the nondiscrimination safeguards. But the scope of what I was talking about, this employee lending, is 272(B)(3), which is the independence of employees, and as you probably noted in my testimony, I stated that it went against the spirit,

against the substance of this independence that is required by the FCC as far as employees between QCC and

QC. So, I don't want a red herring to be introduced, that we publicly posted, therefore, it's okay, still keep on the 272(B)(3) aspect.

MS. JENNINGS-FADER: Then, if that's true, why, in your opinion, hasn't the FCC prohibited the policy in its entirety?

MR. SKLUZAK: They may indeed, when Qwest makes their application to them.

MS. JENNINGS-FADER: Let's talk about applications that have been granted.

MR. SKLUZAK: Okay.

MS. JENNINGS-FADER: I believe Qwest is correct when it says there's no FCC rule or other requirement that bans the practices entirely. Why, in your opinion, is that true?

MR. SKLUZAK: Perhaps this has never been brought before the FCC. Perhaps there wasn't this incident of 100 percent employee-sharing between two entities. I am not sure.

MR. WOLTERS: And perhaps no company has gone and done as extensive an analysis as we have.

MS. JENNINGS-FADER: I am sorry. I missed the first part of your answer.

MR. WOLTERS: Maybe nobody has gone in

and done an audit, like Mr. Skluzak, to look at, on a

transaction-by-transaction basis, and found this practice.

MS. JENNINGS-FADER: Okay. Thanks.

MR. SKLUZAK: Let me say, by Mr. Wolters saying "audit," that's not a financial audit. I did testing of transactions, not a true accounting audit.

MS. JENNINGS-FADER: Okay. Thank you.

MS. SCHWARTZ: I would just like to add to the remarks about the loaned employee policy, just to make sure that we're all clear and of the understanding that to the extent that we do have employees loaned, that was limited to the duration of four months as is the current policy. It would be posted on the Internet. The rates, terms and conditions are made available to any other third party who wanted to --

MR. MUNN: It's not just posted on the Internet. It has to be made available under 271(C) to anybody in this room or outside of this room who wants the same thing.

MS. WAYSDORF: When you say that each individual employee loaned is posted. So, Joe somebody technician, I don't know what -- I am just making

somebody up -- his loan would be posted, but something specific to that employee. So, assuming there were 100

such loans, there would be a 100 such postings.

MS. SCHWARTZ: It would be limited to the level of expertise, so we wouldn't be posting people's names, but we would be describing their positions and the functions that they were performing.

MS. WAYSDORF: On an individual employee basis, perhaps without a name, but to answer my other question, if there are 100 such loans, there would be a 100 separate postings.

MS. SCHWARTZ: If there were 100. I guess that question has really never come up. But, the way I would envision it is, if Judy needed three accountants, all of the same expertise level, I would envision that it would basically be that three employees at X level who are accountants and are working on this service for this duration of time.

MS. BRUNSTING: That's right. And it could also be so stated, it was a particular project that they did, so, that would have a price with it, or a particular service.

MS. WAYSDORF: Wouldn't be stated or would be?

MS. BRUNSTING: Would be. It would be

clearly identified in the work order, the service provided by the BOC to the long distance affiliate.

It's in conjunction with the service that this employee performs some function.

MS. WAYSDORF: Okay. Then how would a CLEC or a third party -- a third party would not be able to use one of those accountants, would he?

MS. SCHWARTZ: Well --

MS. BRUNSTING: My understanding.

MS. SCHWARTZ: Sure he would.

MS. WAYSDORF: My understanding, if he is out for three months.

MS. SCHWARTZ: Yes, he would. That's exactly the point.

MR. SUMPTER: Without the name?

MS. BRUNSTING: It's a service.

MS. WAYSDORF: You would loan PacWest, for example, an accountant for three months to perform, I don't know, cost allocation or something.

MS. BRUNSTING: Certain services, certain financial services, if you requested, just as we have requested certain financial services to be performed, the BOC understands and has gone through a process that would say they understand they have to provide that to any other carrier that requests it.

MR. SUMPTER: I have a follow-up

question to that. I am aware that certain individuals

in a company will have a certain degree of expertise or peculiar skill that makes them unusually valuable. And I would assume that, in these limited cases, or at least what you have described as limited cases, of borrowing employees back and forth for a short period of time, I just assumed that you were loaning a particular employee because of the skills of that employee, not just a vague general service. So without the name of the employee, how would a CLEC know that they were getting the same value for trying to obtain the same service from the BOC?

MS. SCHWARTZ: Right. I think it would depend on which employee that we're talking about, and the level of expertise, because I think we're talking about, a great deal, today, in hypotheticals. This doesn't occur very often. We haven't received one single call from one single CLEC or any other interexchange carrier asking for any of these services.

So, what we're trying to do is, I think -- at least I feel a little uncomfortable that we're speaking a lot in hypotheticals about a practice that's not very commonplace. But to the extent that it is important -- let me just add, to the extent that it

is important and relevant to the decision-maker, who would be potentially interested in buying the service,

the specific level of expertise such that it was so specific that you would have to put the individual's name, I suspect that we would do that. It's just never been envisioned, I don't think, up until this point.

MS. BEWICK: I suspect one of the reasons you haven't had requests, I don't know about anyone one else in this room, this is news to me. It's not news to me that there's the loaning back and forth, but it's news to me -- I guess I never thought about it, that same ability was open to a CLEC. And somehow I am somewhat suspicious that if, in fact, I would just think that loaning between the two companies, based on a business decision that was mentioned earlier, and making the best use of that employee body is part of the business analysis that's used to determine if that loan is going to be granted, somehow I have the feeling that that same CLEC wouldn't kind of place in the same parameters as to whether or not that made sense.

So, I guess I am just sort of skeptical, if New Edge called and said I looked at your services and we would like to take advantage of borrowing someone for a four-month period of time at this same rate that they are being paid and will be paid by you,

and everything else, that would stun me if that was ever granted.

MS. SCHWARTZ: But let me just add this additional distinction -- that is the rule, but the other piece of it is when we make a decision about a service that we're going to provide for another 272, we have to understand and keep in mind the likelihood that someone else is going to be interested in the service. And to the extent that we think it's high, and to the extent that we think we don't have the bandwidth to provide it, we may make a decision not to provide that to our 271, because it would put us in a position to have to offer it to others, which we're not willing to do.

MR. SUMPTER: Based on your experience, you're aware that the likelihood of somebody taking advantage of that opportunity is almost zero.

MS. SCHWARTZ: To date, that's correct.

MS. SCHWARTZ: I just want to respond to a couple of remarks that Mr. Skluzak made in his opening. There were a couple of references to, for

instance, to the fact that we have strengthened processes. Now, you know, I think that's a great thing. I would hope everybody in this room would be happy to know we're continuing to look at the internal controls at Qwest with regard to Section 272. And to the extent we feel some processes need to be strengthened, then we do that. For instance, when we moved to QCC as our new 272, one of the new processes that we put in place was to monitor the network asset transfers. The LD, the old 272, didn't have any network assets. So we needed a new process at Qwest to meet the requirements of 272 to not have those network assets transfers. So that's one thing that we did. And I think that that's important to understand. I know, Mr. Wolters, I am getting hungry, so I am kind of running through this.

The other item that I wanted to mention, that Mr. Skluzak brought up, was his reference to biannual audit. And that, in the biannual audit, the agreed upon procedures engagement, and there, specifically, the auditors are specifically directed to not use the materiality when reporting discrepancies. That's fine. We have no problem with that. And that's exactly what we're doing today in our controls when we

assess our Web discrepancies. We reported every single

one. However, materiality will still be used when analyzing and assessing the impact of those discrepancies. And the FCC did that in BellSouth Louisiana, when they looked at their Web discrepancies, and also in BellAtlantic New York. All Web discrepancies were reported, but materiality was used when assessing those.

I also made some notes about the loaned employee remarks. I think we hashed through that in great detail. And I guess I would just like to wrap-up and say, it is important to understand that we went through a 272 transition period. We named the 272 in January, and we took three months to make it compliant. We couldn't make it compliant on the day that we named it. We needed a transition period. And we had some disruptions during that time period, and we made some mistakes during that time period, and we have corrected them. We also had some discrepancies and issues in the merger transition. Anyone in this room, I think, that's been involved in the merger of two huge corporations, knows that things don't always go smoothly. When you try to integrate policies and procedures, you have some disruption, but we have moved past that and we have corrected any of the errors that

we found. And it was -- it accounted for one-time

disruptions in our processes. Anything else?

MR. MUNN: No. I think that's it for Ms. Schwartz.

MR. BELLINGER: Let me ask a question.

MR. MUNN: We do have, Mana, the bigger print, easier-to-read copy of 7-Qwest-6.

MS. JENNINGS-FADER: Thank you.

Ms. Schwartz, I have a question or a request. Could you explain to the commission the nine-month duration of the one-time disruption of the posting of the accounting transactions? What, first of all, was it nine months in duration and secondly, could you explain why there was that nine-month interruption?

MS. SCHWARTZ: I would actually break the nine months down into two periods, the six months from the merger to the end of the year, which we called the merger transition earlier today, and the 272 transition, because I think there are basically two different things going on there which helped to explain and understand what some of the issues were.

We did identify transactions with QCC, the new affiliate, after the merger, in that merger transition period, but, to be honest, we didn't identify all of them, and we were fearful of that. And

so as soon as -- in the December time period, and as

soon as we made the decision that QCC would be the 272 affiliate, we brought in additional help to identify those transactions.

Now, we're not talking about a posting error here, because you can't post or you wouldn't be required to post transactions with your 272 affiliate before you even name a 272 affiliate. So, there were no 272 rules in place or required for QCC -- and I hope this is making sense -- in the merger transition period in the latter half of 2000. Those actually kick in once you declare your 272 subsidiary or you turn it up and you turn up the Website. That's what we did on March 26th.

MS. JENNINGS-FADER: All right. So, correct me if I am wrong. Then it's Qwest's belief that there is a zero month interval, which is a failure to account for the affiliate transactions, zero months meaning what you just said, is that for six months it was King's X because it was the merger transition period, and you hadn't named an affiliate. Then the second three months, which is the January, February and March period of 2001, is King's X because you hadn't turned up the affiliate; am I correct?

MS. SCHWARTZ: I wouldn't categorize it quite that way. I would categorize it slightly

differently, I believe, and I think that we have admitted that we didn't catch all of the affiliate transactions in the merger transition period. We made a mistake.

MS. JENNINGS-FADER: Okay. Should you have captured them all in that six-month merger transition period?

MS. SCHWARTZ: Should we have captured all affiliate transactions? I guess it depends. Sure, we should have. And when, at the end of the day, you know, one would argue whether or not we were out of compliance would be based on some level of materiality with the 32.27 pricing rules, and when you look at all of the affiliate transactions that the BOC has with all Qwest affiliates, which is how that's been measured historically, it was immaterial. We caught some but -- or we identified some, but we didn't identify all, that's correct.

MS. JENNINGS-FADER: Okay. Then the 2nd three-month period, January, February, May of 2001, and admittedly my expression King's X, but, is it Qwest's position that those three months are not and shouldn't be included in the commission's review because no 272

affiliates had been identified and in Qwest's expression, turned up before the end of March?

MS. SCHWARTZ: I think that I would categorize it as you should -- we would ask that you take into account that we needed some time period to make that 271 compliance. And the FCC gave the BOCs one year to make, you know, when 272 first kicked off, and companies were naming their 272 affiliates back in the LD days, companies had a whole year to make those affiliates compliant. This is kind of new ground. I don't think any other RBOC has been through this, and we made our 272 affiliate compliant in three months. So I guess we would ask that you give consideration to the need for a transition period, which in our case was three months.

CERTIFICATE

KRISTY TURNER, JAMES L. MIDYETT, and HARRIET S. WEISENTHAL, Certified Shorthand Reporters in and for the State of Colorado, do hereby certify that we reported the foregoing proceedings in the first instance, and that later the same was reduced to typewritten form under our direct supervision and control; we further certify that the foregoing is a true and complete transcription of our stenographic notes then and there taken.

Dated _____, 2001.

_____
KRISTY TURNER

_____
JAMES L. MIDYETT

_____
HARRIET S. WEISENTHAL
1580 Logan Street, OL2
Denver, Colorado 80203
(303) 894-2825

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF COLORADO

Docket No. 97I-198T - Workshop 7

* * *

IN THE MATTER OF THE INVESTIGATION OF US WEST COMMUNICATIONS, INC.'S COMPLIANCE WITH SS 271(c) OF THE TELECOMMUNICATIONS ACT OF 1996.

CONFIDENTIAL PROCEEDINGS

Pursuant to notice to all parties of interest, the Technical Workshop was held at 8:35 a.m., July 24, 2001, at 3898 Wadsworth Boulevard, Lakewood, Colorado, before Facilitators Hagood Bellinger and Martin Skeer.

APPEARANCES

(As noted in the transcript.)

CONTINUATION

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