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Federal Communications Commission
Office of the Secretary

May 22, 1992

Mr. James E. Farmer
Arthur Andersen & Co.
101 Eisenhower Parkway
Roseland, NJ 07968-1099

92-91

Dear Mr. Farmer:

MCI wishes to express its appreciation to you and your colleagues for presenting the May 13 briefing for intervenors in CC Docket No. 92-91, and also for expressing your willingness to consider changes in the form and content of your report in response to intervenor suggestions.

However, MCI must also express its disappointment that what the FCC described in the SCIS Disclosure Order as an "independent audit" has now been allowed to atrophy -- apparently through a process in which everyone except intervenors was given an opportunity to participate -- into something called an "independent review." Unlike an audit, the "independent review" will apparently not involve any expressions of professional opinion as to the auditability and verifiability of the SCIS/SCM models as costing tools.

The suggestions made in this letter are intended to enable MCI to participate in the Commission's investigation in a meaningful way when we are given the opportunity to submit more detailed queries. If the Commission were to grant MCI's request for full access to the models and data under the terms of an appropriate nondisclosure agreement, we would have a better opportunity for meaningful participation, and many of the suggestions in this letter would be unnecessary. Without access to the unredacted models and software, MCI will have no alternative but to request that Arthur Andersen conduct numerous sensitivity analyses and provide reams of paper at that time.

With the foregoing in mind, MCI offers the following specific suggestions concerning your report to the Commission:

1. Results of sensitivity analyses. At the briefing, you indicated that you had not intended to include in the final report (or Exhibits thereto) all of the sensitivity analyses performed, but only those which "had a significant effect on the variability of the BSE annual unit costs." As discussed, MCI would prefer to receive the results of all sensitivity analyses performed, without regard to whether Arthur Andersen concludes that changes in a particular parameter or combination of parameters have a significant effect on BSE costs. We do not object to sorting through massive printouts, as we would expect to do so if we were given the opportunity to conduct our own sensitivity analyses.

2. Format of redacted report. In general, the version of the final report (the "redacted" report) made available to intervenors should be formatted the same as the full report filed with the Commission. By blacking out specific data fields rather than reformatting the report, Arthur Andersen will allow MCI and other intervenors to more readily determine the nature and scope of the information presented to the Commission in the full report. This will greatly facilitate intervenors' formulation of queries to be submitted to Arthur Andersen at a later stage of the proceeding. Consistent formatting of tables, graphs and charts in both versions of the report will also make it easier for all parties to refer to specific exhibits in correspondence and pleadings.

3. Scope of redaction. Redaction should be minimized, consistent with the Commission's most recent guidelines.

4. Manner of redaction. Any numeric or other data field which is redacted should be readily discernible. In the normal mode of presentation (black print on white paper), redacted material would be blacked out, rather than whited out.

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5. Identification of redacting party. At the briefing, Arthur Andersen stated that it would make a "first cut" at redaction, after which the report would be sent to Bellcore and other interested parties for review and possible further redaction. MCI suggests that any data fields redacted subsequent to Arthur Andersen's "first cut" be annotated (by addition of a two- or three-letter uniform code) to indicate the party requesting redaction. For example, redactions requested by Bellcore would be blacked out and accompanied by the symbol BC. Those requested by Northern Telecom could be annotated with NTI, etc.

MCI believes that identification of the redacting party should minimize (and possibly eliminate) the problem of unnecessary (and even frivolous) redactions. Because each party requesting that particular data be redacted would be clearly identified, the Commission (and intervenors, in appropriate circumstances) could obtain from that party further information concerning the basis for the redaction. As was evident at the briefing, such communications may potentially lead to agreements which provide intervenors with enough information to enable them to assess, at least preliminarily, the sensitivity of the models to various inputs, without the need to examine proprietary switch vendor data.

6. Vendor discount sensitivity analysis. As discussed at the briefing, MCI believes that the alternative presentation described below would provide us with useful information concerning the sensitivity of costs to vendor discounts, without compromising switch vendor proprietary data. (Of course, MCI reserves the right to seek additional information at a later date should we deem it necessary to do so.)

The redacted version of the report would contain, for each filing entity and for each BSE, a table showing the effect of specified percentage changes (e.g., plus or minus 1, 2, 5, 10, 20 percent) in the vendor volume discount on the annual direct and indirect costs. The choice of particular percentage change values and the number of data points would be left, in the first instance, to the auditors' discretion, on the assumption that they will endeavor to include an accurate representation of the sensitivity in the redacted report. The auditors' selection of values and number of data points should be verified by the Commission staff, which will have access to both the redacted and unredacted presentations. (An accurate and complete representation of a non-linear relationship would likely entail a greater number of test runs with more discrete values and/or a broader range of values than a linear relationship.)

MCI respectfully requests that Arthur Andersen incorporate these suggestions in your report to the Commission. Should you or your colleagues have any questions concerning our suggestions, please do not hesitate to contact us.

Sincerely,

Larry A. Blosser

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cc: Ms. Donna R. Searcy, FCC (for inclusion in CC Docket No. 92-91)
Mr. Gregory J. Vogt, Chief, Tariff Division
All parties of record, CC Docket No. 92-91