

Transcript from 4/3/97 Open Meeting
Preferred Intelligence, LLC

enabled at least two competitors to provide local exchange service. Again, I do not see that they made a finding that it's tested and operational. They said that it appears that it at least allows two competitors to get into a local exchange market. With regard to capacity and whether or not it's *ready*. I don't think it's *ready*, I think it's a severe *use* issue that they are thinking and looking and preparing for increases in volume even though not all competitors have provided them with information.

Another *issue* suggested was national standards and we *reviewed* a lot of testimony on this, and basically it came out to say there is no standard, but yet competitors were complaining that Ameritech was not complying with standards. Well, you cannot comply with a standard that has not been set. We also had testimony that to the best of my knowledge -- I believe (*inaudible*) testimony was that Ameritech at the time they were developing their systems, they did indeed comply with the standards that were done at the time and most importantly, the FCC has said we are not going to wait until there are national standards before we move forward.

With regard to testing, Dan, you talked about old information, and Exhibit 6, I believe. Mr. Dawson said that the competitors were just putting in old stuff, and I think *Miss Marsh* made a very good point that the oldest information in the record was Exhibit 2 that was presented by Ameritech. Ameritech has this information. It is -- It's always going to be changing. The Department of Justice in their brief suggested that we waited until we have actual information and that the difficulty is that we're looking forward and that's hard to do. Well the commission is always looking forward, you will always have to look forward, there's always going to be new information.

And then finally, manual intervention he raised as an *issue*, and again, I do not find that it's a (*inaudible*) to the extent that the volumes are large. It does relate to discrimination, and to the extent that manual processing is more likely to cause Ameritech to miss a due date, it is certainly relevant in high analysis. That's all the comments that I had. Any further comments before get into the next step?

COMMISSIONER EASTMAN: I guess I'll make two abbreviated comments on Mr. Dawson's argument. He did stress that the system was operational and I observed in the hearing and considered the record, that the system is operating to some degree, so I felt that that in my mind this was progress and systems will evolve, they start out operational, very roughly and they will become smoother over time.

Now the second point that I wanted to comment on is the manual intervention and I also don't see a problem with manual intervention from time to time. It wasn't clear as to every delay or how long some of the delays were because of the manual intervention -- whether it was just some person has given in testimony entering something into a blank field or whether it required days of

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shuffling paper or going to a fax machine -- but I think that that information would be more helpful as the system evolves to determine whether manual intervention has a place and what percentage of orders should be subject to that, and if subject, what is the data (*inaudible*) or is it just a system maintenance or system operational point. So, Joe?

(Mettner again spoke quite rapidly making it difficult to capture the entire conversation.)

COMMISSIONER METTNER: I've jumped the gun and made most of my, I guess argument-based comments already. The only thing -- excuse me for a second -- that I would offer is that I disagree with Mr. Dawson's characterization one and I'll agree with the other. I'll disagree with, first somehow the CLECs can do how they excuse and I'm quoting his words exactly and that to me characterizes the idea of CLEC application and getting into competition as largely a matter of *whether or not* everything is available to them.

And, they take advantage of it I think that that's not *completely genuine* which is I think to some extent we saw this in the testimony of Ms. Reeves and the arguments of Sprint and Time Warner's people. I don't look at it largely as a matter of will, but of assurance of readiness.

I think that that's more appropriate. I do agree with Mr. Dawson that the wrong standard to apply when ultimately we revisit this, is that the system is tested and operational, access is nondiscriminatory, and you're getting all the design specifications you need when AT&T says so or for that matter when any potential competing carrier says so. I think it's going to be left to this commission at another time and place to make a call on the ability to meet these various standards, and *conclude* so, as we do so today, by weighing the arguments and the representations of the various parties. So I think that Ameritech is correct, they have a bug-free system, they do rely on some good faith from potential competitors, but we *rely* on their good faith as well, and when they are substantially tested, operational, and providing the access on the basis that they do for themselves and they have a showing of that, which there's not here, then I think we'll be in a position to revisit that information. And, I wanted to address what might be the appropriate process in the next steps as I will what I think needs to be some proposal that we have to evaluate to examine the criteria for system change and *upgrades*, and I'll *refer back to this* when we get into the next step discussion.

COMMISSIONER PARRINO: So that brings us to what are the next steps and where are we at. With regard to the decision that we make, I would suggest that we reject Ameritech's SGAT capital filing. This is not to say that I want to redo everything and reargue every issue. To the extent that we finalize

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those items and those tariffs are on file, and we've approved those tariffs, those certainly would not be redone or reargued or debated at the point that Ameritech can demonstrate that the OSS is operationally tested and the other criteria. But, I think rather than conditionally rejecting and allowing Ameritech to come back again (*inaudible*) does not make sense at this point in time. So, I would reject the capital filing as -- in its -- as a complete document. That's not to say that I reject the component parts that have complied with the commission's order. I would approve those tariffs and I would put them on file.

I do believe that there ought to be some sort of threshold or burden of proof for the commission to commit the level of resources that we have in these last three reviews of the capital filing. I do not -- I would not have as a criteria though that there be actual competitors or that there be competitors using the OSS for a six-month period.

Again, I agree with Ameritech's comments that competitors make the choice on when they come and Ameritech necessarily should not be hung up because people did not want to come into the State of Wisconsin first, that just because they choose Detroit or Chicago. Again, Ameritech should not be hamstrung.

My standards, and again they're not well *outlined*, but they give at least some guidance on what I'm thinking about, and I would ask that the staff maybe build in all of our thoughts today and come back to us with maybe a more complete list of what these standards or thresholds would be, but some ideas, some thoughts to throw out, that there should be access to all this information. In other words, the USOCs ought to be created. There ought to be the availability to access all of the component parts in the system, not just the preordering, ordering, and billing. I agree with Miss Miller, MCI's witness, that there are two ways that you could test that the system is tested and operational. One would be the CLEC test that you actually have competitors that are using it at a significant volume.

The second approach would be a rigorous test. I would suggest that if the rigorous test route is going to be used, that the industry, and when I say industry, all the participants have some input on the design of that testing, or Ameritech wants to have an outside person do the testing for them, we need concrete data, not just people saying that the system is doing good.

Again, we've been through that route, and I guess I'm not comfortable, given the information that surfaced with the problems with 865 and 850, that Mr. Rogers is going to get the right answer when he goes to his people because it seems like they are going to tell him that everything is working okay, so there's got to be concrete data that we look at.

We need some predictability or stability and some decrease in the number of orders that are processed manually. The most recent information that Ameritech gave us was really good. If we can keep that level of manual

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processing for a period of time, again, that would help to go demonstrate the predictability issue for me.

With regard to nondiscrimination, Ameritech will have to show actual information, how many of their orders are processed manually, how many of their orders are rejected, how often do they meet their due date versus a competitor's due date, we need to have things that are pending considered "not met due dates", and how long does it take for a CLEC to access the system.

I think those are all the specific standards I have. But again, I think it's important that there be a showing by Ameritech before we spend a significant amount of resources. Maybe again to provide an incentive, I don't think -- it's hard for me to set a time by which you have Ameritech come back. They're the ones that know, they're the ones that have access to the information. I can't tell when the system is going to be up and operating. That's Ameritech's call.

But again, to give them some incentive to have all of the information, I certainly would be willing to consider something like if there's a "false start" or if they don't meet their burden of proof, that we would not come back to the issue for some proper period of time -- whether it's two months, six months, or what have you. But again, I think it's important that all the information be pulled together and presented to us before we put forth a significant amount of resources again.

COMMISSIONER EASTMAN: I agree with your conclusion. I think that I'm somewhat ambivalent to either the time deadline or benchmarks for some showing that progress has been made. I'm not -- I don't necessarily think you have to get to a CLEC testimony for six months to determine if a system is operational and fully tested. At least it's operational at the moment, but I think with the rigorous test format, I'm a little bit concerned that we could end up in a situation where the test is never going to be good enough because it's not done under real conditions, so I guess I would sort of leave it to the staff at this point to come up with the measure to somehow ensure that the time and resources of the agency are spent for one last time either approving or disapproving rather than *reviewing* this for a fifth time. I do think it's in the public interest that we do get the system up and running as soon as possible so local competition can develop quickly in Wisconsin, and I'm impressed with what I've seen with respect to development to date. There's certainly more work to be done, but I'm optimistic the parties will be able to put this "something" in short order. Joe.

COMMISSIONER METTNER: I agree. I share similar concerns. I'm going to tell you what my grocery list, which is not an exhaustive one, is. It's subject to further clarifications by staff. But before we begin at that, and Cheryl maybe this is something you were otherwise going to address, but we have a couple different trains on the track right now. We have not issued an interim order that would be the result of our decision of February 20, 1997 meeting. Secondly

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we have findings of facts, conclusions of law, and an order as a result of our review of the record concerning OSS basically the paper trail of our action today, and we also have the latest *filing* of Ameritech as capital filing dated March 3, 1997, up for comment.

We also have scheduled hearings for -- in a couple weeks on some of the other remaining issues, and I think it's time to catch our breath on some of these issues. I think we've been running wind sprints so on some of these areas, and I see *Mr. Burns* is laughing -- he probably hasn't got much sleep lately either, but I think we need to consolidate some of our efforts on these things and I think that the interim order, the findings of fact, conclusions of law concerning the OSS discussions we had today and the *SGAT* capital filing should be the subject for review down the road.

I also think that along with whatever goes out on our OSS decision today, that we do have to articulate, with staff's assistance, some threshold criteria in coming back, and I don't think it ought to be something like response time has to be down to "x" seconds for each type of subcomponent or that there is some minimum percentage falling to manual intervention to have been shown. I don't think that's very helpful, but some qualifications (*speaking too rapidly*) for the future *SGAT* capital filing until *certain* elements are met, is evidence of testing of sufficient volume and that would have to be subject to some agreement as to what that's going to mean, whether live or simulated testing of each component of the OSS that we've identified from preordering to billing, and I think that this testing has to be *incorporated* and accomplished by input of concerned parties, the requesting CLECs, the CLECs requesting interconnection, and it cannot be unilaterally done, nor can it be expected that we can uncitedly review a unilateral statement of Ameritech. There's going to have to be some evidence of cooperation in accomplishing that. There also has to be minimal evidence of operational status involving each subcomponent of OSS, which we didn't have today, by -- and I think that that has to indicate that activity by each competing local exchange carrier requesting interconnection.

I think that it to indicate the incidence and description of certain types of errors experienced, the incidence of rejection as well as rates and projection, if incidence of manual intervention and the delays that that might cause, as well as any resolution problems that have been identified and solved, the average time period within which average (*inaudible*). I also think that the record should include any associated correspondence which involves requests for information by competing local exchange carriers and Ameritech, and I want to know by paper trail what the pattern of accordance or noncooperation is.

I also think that comparative statistics have to be included indicating for the evidence concerning operational readiness that I've just identified evidence similar -- I'm sorry, comparable evidence not (*speaking too rapidly*) identical time

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periods for Ameritech's own retail customers and what they're *experiencing*. Absent that, we're never going to be in a position to declare that access is nondiscriminatory, we just don't have the data to do it. I also think we should entertain a proposal from staff, and I also encourage them to work with parties on this, on a proposal for managing the change in business rules or specifications as it's going on.

(Inaudible). I don't know if single or multiple versions of 2.1 2.3 or 2.3 are going to be made to pair tech systems to accommodate, and in many cases, the changes are not going to require system redesign or respecification, but simply involve *feedback* that needs to be provided to CLECs about how they're doing it wrong, if they are. But, when business rules are going to be changed or the criteria of the OSS system changes because of some large batch of items, I think that that has to be timed appropriately with information given to people who have to use the system on a resale basis so that they can adjust accordingly. Ideally this could be done without "hiccups". I know not every change can be done subject to this, but I think to the extent possible these things ought to be batched and made known to the parties affected by them. I don't want to see a check in business rules however necessary for *(inaudible-speaking too rapidly)* that the ongoing need for change. I just don't think a system change ought to be used as an opportunity to recapture customers who have gone to a competitor and I think that could be the case if *CLECs* are left in the dark as to how the system operates, so I think at a minimum those things have to be involved in any new capital filing. I think at a minimum that should have been what came in today, but I think we're all learning. I reiterate that this is not an exhaustive list and I would entertain staff's additional comments and I think this should also go out to the parties for comments. We should pick a period of time in which we shall accomplish this, but I would think that we would not entertain the SGAT capital filing with serious review as we've given the other version prior to today before 30 days after any order is issued summarizing what we've done so far.

I just think that there is evidence that we're getting to the point where cooperation with the system is smoothing itself out, but I don't know that the evidence that I've indicated here could correctly be gathered. I would postpone the *evaluation of some of the other issues*. I don't want to make record findings the middle of this month and then 45 days from now, use those for purposes of making our 271 conclusions when the data will be maybe 40 days old or something like that. I don't think it would serve us well, I think we might be putting ourselves in an apples and oranges position, and it would allow somebody who'd benefit from the earlier findings to exploit it. I think it would unnecessarily confuse things to make record findings that may not be relevant when we reach this issue again, so that's what I would propose, and I don't know what your comments are on that.

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COMMISSIONER PARRINO: Well, with regard to notice, I would agree with you that we ought to reconsider and not issue the notice that's on the board today because I do not think it makes sense to go to hearing because I would likely want to go to hearing again to get the most recent information. I think we ought to change our mind on the notice that was previously approved under notice Number 1.

With regard to what comes out of this decision, I would also agree with your recommendation that we issue one order which would combine our discussion of the issues from our February 20th open meeting, that we would also include in this order what our findings are with regard to the third compliance filing that is out for comment right now, as well as this decision on OSS that we're making today.

I'm also comfortable with your suggestion that the earliest we would expect to see information refiled would be some time after this order is issued.

I don't know that I'm comfortable necessarily with 30 days, but we need to get this order out. The staff -- we put the staff in a position of not even being able to issue the order from the February 20th decision. That caused Ameritech some difficulty in knowing exactly how to comply, but the staff could not draft the order because we forced them into the position of analyzing the OSS and getting testimony and things read for this hearing that we scheduled.

COMMISSIONER EASTMAN: I'm fine with the proceedings with respect to withdrawing the notice of today, I think it's the most efficient and best use of the staff's time.

COMMISSIONER METTNER: I just think that -- and I talked about this with staff, and it's my sense we'll have to take the hail storm from the parties, but we're dealing with this on a you know "hurry up almost brush fire basis" a lot of focus was going into the OSS *provisions*. I would hope that we haven't wasted a lot of the parties's time being spent in preparing for what we indicated the last time would be a middle of the month issue that hasn't been resolved by comment. I hope if they're like me, they take these things one at a time and maybe (*inaudible*) haven't invested too much time into the middle-of-month-hearing. But, I'm *aware* that that would have been the next order of business for most people that are involved in this.

COMMISSIONER EASTMAN: Well, it's a fast track process and we've been scrambling for months. I think we do it as best we can. This is the most efficient way to proceed and certainly going through the hearing process when we redo it, *has value*.

COMMISSIONER METTNER: That's our thoughts.

COMMISSIONER EASTMAN: So are there any questions or comments from the staff?

STAFF: You gave us all we needed and more. (Laughter).

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COMMISSIONER EASTMAN: Well I guess if there is no
miscellaneous business, then we will adjourn.

(END)

Minutes for 6/23/97 Ameritech EDI Service Ordering User Group Meeting

Thanks to MCI for hosting the meeting at their location near O'Hare

Attendees -

Bob Bradford	WorldCom
Jim Lenihan	Sprint
Michelle Schuster	Sprint
Mark Jimmy	AT&T
Gene Frohse	Beechwood
Ted Jordan	AT&T
Ed Cardella	AT&T
Lewis Paskin	Beechwood
Georgia Hyland	MCI
Robert Bosworth	MCI
Odessa Truvillion	MCI
Russell Hoch	AT&T
Atul Moshe	AT&T
Tess Wierzbicki	Ameritech
Louise Ng	Ameritech
Karen Bualow	MCI
Carol Zimmerman	MCI
Ilga Berzkalns	Ameritech
Jerry Hampton	Ameritech
Tim Gilles	Ameritech
Chuck Polizzotti	WorldCom
Tracy Strombotne	LCI (via phone)
Joanne Samonil	MCI

Ameritech provided clarification for the issues that were outstanding from the previous discussions of the Ameritech proposed LSR-based data element matrix. Of these items, four require additional clarification and two require consideration during later EDI mapping discussions.

* Next step - feedback from carriers to be provided to Ameritech by 7/10, and discussed at the next (7/15) meeting. Ameritech will send out an electronic copy of the matrix updated to reflect the 6/23 discussion.

A point was raised for discussion regarding the relationship between the ?language? used in the electronic order exchange and that used between service reps of the respective companies. Besides creating a method for the passing of order information, we need to consider the impact on these reps.

A proposed EDI mapping for a new unbundled loop order was provided to attendees. Ameritech explained that, using this proposed mapping, unbundled loops could be provided as an enhancement to its current interface in a way that would not require significant changes with its proposed issue 7 implementation. Two EDI mapping examples, scenarios 16 and 17 from the Electronic Service Ordering Guide, for INP were also distributed.

* Next steps - carriers will provide business scenarios, e.g. change

from resale to loop/INP combination, and Ameritech will reply with required transaction flow at 7/15 meeting. Carriers will also supply comments on proposed EDI mapping for unbundled loops and INP.

There was discussion about the timeline that was proposed at the

previous meeting, as a target upon which to base the activities of this group. In that timeline, EDI ordering for unbundled loops will be targeted for 12/97 based on resolving the requirements by 8/1/97. A release to implement the group's definition of issue 7 is tentatively scheduled for the first quarter of 1998.

* Next steps - None required.

Tim Gilles provided an update on Ameritech internal discussions regarding providing additional business rule information. The conclusion from individual discussions within Ameritech is that this is primarily a training and familiarization issue, and that needed business rule information is provided.

* Next steps - Previous request for examples of difficulties with business rules was renewed. Ameritech will hold internal meeting on 6/25. A request was made for a possible one or two day session devoted to business rules, with the suggestion of using 7/16.

The AT&T comments on the Ameritech TCIF Issue 7 implementation guidelines were discussed. Agreement was reached to modify the Ameritech proposal to change the 860 reply transaction to the 865 transaction instead of the current 855, and to use the TCIF guideline for hunting information. The suggestion regarding line-level PIC freeze information was explained to be an underlying business issue, as Ameritech (wholesale and retail) only offers an account-level PIC freeze. It was decided that directory listings will continue to be part of the issue 7 implementation discussion although the DSR is not part of the LSOG version 1 or TCIF issue 7. There was no consensus to change Ameritech's proposed continued use of USOCs to feature codes. Ameritech will further consider its proposed limit on use of the SI segment for feature data.

* Next steps - Additional feedback from carriers, begin detailed EDI mapping at future working session.

There was discussion of forming a task group separate from this issue 7 implementation group to discuss and create a proposal for an EDI guideline for Customer Service Records. All companies present indicated interest in being involved.

* Next steps - Carriers to forward their one (or two) CSR team member names to Tim Gilles. A kick-off conference call will be arranged for late July.

Agenda for the next (7/15-7/16) meeting -

Discussion of carrier comments on the Ameritech LSR matrix
Ameritech provides a matrix on the confirmation transaction
High-level transaction flow scenarios for loop orders to be discussed
Ameritech will provide an EDI mapping scenario for a combined loop and INP order
Carrier comments on Ameritech directory listing proposal will be discussed

PUBLIC NOTICE

Public Notice of Network Change Under Rule 51.329(a)

Public Notice #:

Title: Real-Time Pre-Ordering Address Verification

1. Company Name and Address

Ameritech Operating Companies, c/o Legal Department 4H82, 2000 West Ameritech Center,
Hoffman Estates, IL 60196-1025

2. Contact Person Name and Telephone Number

Tim Gilles 312 727-1412 or 312 335-6608

3. Implementation Date of the Planned Changes

10/97

4. Location(s) at Which the Changes Will Occur

Ameritech Serving Area

5. Description of the Type of Changes Planned

In addition to the ability to access Ameritech pre-ordering address verification information via file transfer, an on-line, real-time pre-ordering facility will be introduced to the existing pre-ordering business functions. This new transaction will be described in detail in the next update to the Ameritech Electronic Service Ordering Guide, due out in late July, 1997.

6. Description of the Reasonably Foreseeable Impact of the Planned Change

CLEC's will have the choice to access Ameritech address information via the current file transfer or through the new on-line, real-time pre-ordering business function.

7. Technical Documentation Sources

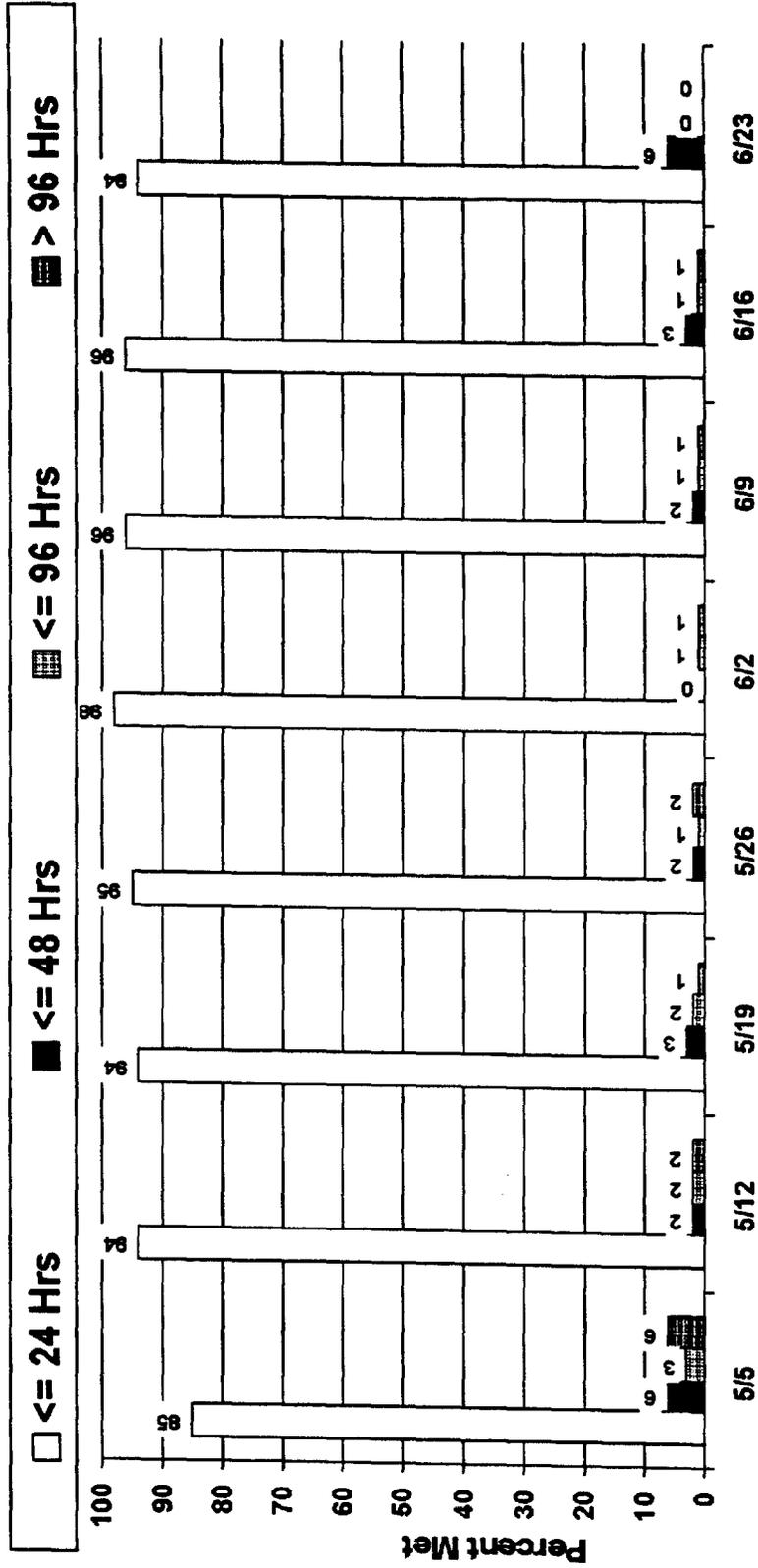
The following is a list of the most common technical documentation sources. If a source referenced in the above disclosure is not shown on this list, please call the contact person for this disclosure (#2 above). Also, call the contact person for non-numbered Ameritech references.

Ameritech
Technical Information Resource Management (TIRM)
2000 West Ameritech Center Drive 3A09F
Hoffman Estates, IL 60196
847/248-4328

American National Standards Inc. (ANSI)
11 West 42nd Street
New York, NY 10036
212/642-4900

PROPRIETARY EXHIBIT

865 Performance



Michigan), The Ohio Bell Telephone Company (d/b/a Ameritech Ohio) and Wisconsin Bell, Inc. (d/b/a Ameritech Wisconsin). Each is a "Bell operating company" ("BOC"), as defined in Section 3(4) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 ("Act").¹

PURPOSE OF AFFIDAVIT

3. The purpose of this affidavit is to reply to comments filed by AT&T Corp. ("AT&T") and Teleport Communications Group Inc. ("TCG") opposing Ameritech Michigan's application for providing in-region interLATA services, specifically in regards to the AOCs' and Ameritech Communications, Inc.'s ("ACI") compliance with the Commission's affiliate transactions accounting rules. Previously, I filed an affidavit in support of Ameritech Michigan's application demonstrating the AOCs' and ACI's compliance with accounting principles designated by the Commission, as required by Section 272(c)(2).

4. AT&T maintains that Ameritech has failed to meet its burden under Section 271(d)(3)(B), which provides that authorization is to be carried out in accordance with the separate affiliate safeguards required under Section 272. AT&T asserts that there are deficiencies in the accounting treatment of past transactions and the level of detail provided and proposes specific remedies. AT&T has either misrepresented the facts related to Ameritech's implementation of the Section 272 accounting safeguards, or has proposed requirements that have no basis either in the Act or in the Commission's rules and therefore should be rejected.

¹ All references to the Communications Act of 1934, as amended by the Telecommunications Act of 1996, shall be made as "Section ____."

5. TCG maintains that Ameritech is not in compliance with transactional safeguards required by Sections 272(b)(4) and 272(b)(5) and that future compliance is suspect as well. TCG's arguments are without merit and based upon incorrect interpretations of the Act and the Commission's rules.

ACCOUNTING FOR AFFILIATE TRANSACTIONS

6. AT&T erroneously asserts that Ameritech's past transactions with ACI "...followed accounting rules that have since been rejected by the Commission as inadequate..."² This is a distortion of the Commission's decision in its Report and Order, In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996, Report and Order ("Accounting Safeguards Report and Order"), CC Docket No. 96-150, released December 24, 1996. The Commission did not reject its previous accounting rules pertaining to transactions with affiliates. To the contrary, the Commission stated that its

...cost allocation and affiliate transactions rules, in combination with audits, tariff review, and the complaint process, have proven successful at protecting regulated ratepayers from bearing the risks and costs of incumbent local exchange carriers' competitive ventures.³

² Comments of AT&T Corp. In Opposition To Ameritech's Section 271 Application For Michigan, page 38. In paragraph 14 of the Joint Affidavit of Douglas K. Goodrich and Lila K. McClelland on behalf of AT&T Corp. ("Affidavit of Goodrich and McClelland"), AT&T also erroneously asserts that affiliate transactions were not recorded in compliance with Section 272.

³ Accounting Safeguards Report and Order, paragraph 25.

Thus, while the Commission did make certain revisions to its pre-existing rules, it found that those rules “generally satisfy the Act’s accounting safeguards requirements[.]”⁴ As discussed in my previously filed affidavit, prior to the FCC’s adoption of its rules as modified by the Accounting Safeguards Report and Order and Ameritech Michigan’s subsequent early adoption of these modified rules, Ameritech Michigan accounted for all transactions between ACI and itself in accordance with all applicable requirements of Part 32.27, Transactions with Affiliates, and Part 64.901, Allocation of Costs, of the FCC’s accounting rules that were in effect at the time the transactions occurred.⁵ To account for these transactions in any other manner would not have been in keeping with the requirements of Section 272(c)(2).⁶

7. In paragraphs 13 and 16 of the Affidavit of Goodrich and McClelland, AT&T asserts that the Commission should retroactively apply its modified affiliate transaction rules adopted in the Accounting Safeguards Report and Order, which do not become effective any

⁴ Accounting Safeguards Report and Order, paragraph 1.

⁵ The Accounting Safeguards Report and Order rules “become effective upon approval by OMB...but no sooner than six months after publication in the Federal Register.” In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996, Errata (“Accounting Safeguards Errata”), CC Docket No. 96-150, released February 17, 1997. “The Commission will allow carriers to implement these rules at an earlier date...We note that the *Report and Order* was published in the Federal Register on January 21, 1997.” Id.

⁶ Section 272(c)(2) states that a Bell operating company “shall account for all transactions with an affiliate described in section (a) in accordance with accounting principles designated or approved by the Commission.” The rules in effect prior to the effective date of the Commission’s modified rules are indeed the “accounting principles designated or approved by the Commission” to be followed by carriers as required by Section 272(c)(2).

sooner than July 21, 1997,⁷ and thereby require a BOC to “true-up” its past affiliate transactions. AT&T fails to recognize that the Commission’s rules as they existed prior to the effective date of the modifications adopted in the Accounting Safeguards Report and Order are the rules “designated by the Commission” and thereby required to be followed by carriers in accordance with Section 272(c)(2). No requirement exists in either the Act or in the Accounting Safeguards Report and Order mandating that a BOC “true-up” its past affiliate transactions, which were recorded in accordance with the then existing rules, to reflect rules adopted by the Commission at a later point in time.⁸

8. In paragraphs 20 through 24 of their Affidavit, AT&T’s Goodrich and McClelland claim that Ameritech and ACI have only presented “mere promises of compliance” with Section 272, and list specific evidence and conditions Ameritech should be required to provide to demonstrate its compliance with Sections 272. Paragraph 12 of my previously filed affidavit identifies controls and safeguards currently in place for ensuring compliance with Part 32.27, Transactions with Affiliates. All transactions entered into between the AOCs and ACI on or after the effective date of the AOCs’ early implementation of the rules adopted in the Accounting Safeguards Report and Order have been properly

⁷ See footnote 5.

⁸ The Commission neither proposed, nor did AT&T recommend, a true-up of affiliate transactions based upon the modified rules in its comments filed in CC Docket No. 96-150 (see Accounting Safeguards Notice of Proposed Rulemaking, released July 18, 1996; see AT&T Comments filed August 26, 1996 and Reply filed September 10, 1996).

disclosed on Ameritech's Internet website.⁹ Additionally, any transactions entered into between the AOCs and ACI prior to the AOCs' early implementation of the rules adopted in the Accounting Safeguards Report and Order that were still in effect as of the early implementation date (May 12, 1997, as discussed in paragraph 10 of my previously filed affidavit) have been properly disclosed on Ameritech's Internet website. Such disclosures include detailed written descriptions, terms and conditions and the valuation standard applied to allow the Commission to evaluate compliance with its accounting rules. Aside from the contracts/service agreements posted on Ameritech's Internet website, paragraphs 15, 16 and 17 of my previously filed affidavit describe the service transactions currently provided between the AOCs and ACI along with those that will be provided upon approval of Ameritech's application. In addition to a basic description of these services, the listing also contains the valuation standard applied to these transactions. In cases where the valuation standard required a comparison of fully distributed costs (FDC) and fair market value (FMV), a description of the FMV determination was included.¹⁰ Transactions entered into between ACI and any of its non-BOC affiliates not involving the BOC affiliates are not required to be disclosed on Ameritech's Internet website nor are they required to be made available for public inspection. Section 272(b)(5) specifically states that transactions

⁹ See footnote 5. Transactions between the AOCs and ACI entered into and concluded prior to the AOCs' early implementation of the rules adopted in the Accounting Safeguards Report and Order were accounted for as discussed in paragraph 9 of my previous affidavit.

¹⁰ Contrary to AT&T's charge, there is no requirement in the Accounting Safeguards Report and Order to include analyses and workpapers detailing the comparisons of FDC and FMV. Such comparisons and studies are subject to the biennial audit required under Section 53.209 and the annual attestation audit required under Section 64.904.

involving the Section 272 affiliate and the "...Bell operating company of which it is an affiliate..." must be "...available for public inspection." The Commission acknowledges this understanding of Section 272(b)(5) at paragraph 122 of the Accounting Safeguards Report and Order. Also, although not a requirement, paragraph 18 of my previously filed affidavit includes a list of services available to ACI from other non-BOC Ameritech affiliates. The items listed above hardly represent "mere promises of compliance." Rather, they are a tangible demonstration of Ameritech's compliance with Section 272.

9. Contrary to AT&T's assertion, there is no requirement in the Accounting Safeguards Report and Order to disclose rates for services to ensure compliance with the Commission's accounting rules. Rather, the specific requirement is to provide, "...detailed written description of the asset or service transferred and the terms and conditions of the transaction..." (See paragraph 122 of the Accounting Safeguards Report and Order). The terms and conditions used are those promulgated by the Commission at Section 32.27, Transactions with Affiliates. The biennial audit required under Section 53.209, the Ameritech Cost Allocation Manual, and the annual attestation audit required under Section 64.904 provide additional controls to ensure compliance with the Commission's accounting rules.

10. The Commission concluded at paragraph 176 of the Accounting Safeguards Report and Order that

...under the current affiliate transactions rules, we can satisfy section 272(b)(5)'s "arm's length" requirement by treating interLATA telecommunications services like a nonregulated activity strictly for accounting purposes. We therefore adopt our tentative conclusion that we should apply our affiliate transactions rules to transactions between each BOC and any interLATA telecommunications affiliate it establishes under section 272(a),