Ameritech's conduct and implementation of the interconnection agreements "fully support a conclusion that those agreements require reciprocal compensation for calls to ISPs."[34]

When another Regional Bell Operating Company ("RBOC"), in the course of arbitrations with NECs, asserted a similar argument that traffic terminated to enhanced service providers should be exempted from reciprocal compensation arrangements under Interconnection Agreements, the states of Arizona,[35] Colorado,[36] Minnesota,[37] Oregon,[38] and Washington[39] all declined to treat traffic

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[34] *Id.* at 8, 11, 14-15. Recently, an Illinois Commerce Commission Hearing Examiner issued a proposed Order in WorldCom's favor also against Ameritech, concluding that:

> There is no legal basis for treating ISP traffic differently than the traffic of any other similarly-situated end users for purposes of reciprocal compensation. Nothing in the Act exempts ISP traffic or otherwise incumbent LECs from their reciprocal compensation obligation with respect to local traffic. The Act imposes upon all LECs the "duty to establish reciprocal compensation arrangements for the transport and termination of telecommunications." 47 U.S.C. 252(b)(5). We conclude that Ameritech Illinois, by discontinuing its reciprocal compensation payments thereby violated, and is continuing to violate, its interconnection agreements, and its duty under the Act.

Complaint of WorldCom Technologies, Inc. against Ameritech Illinois, Proposed Order, Docket No. 97-0519 (Ill. C.C. Feb. 9, 1998) at 11. The full Commission is to rule on the proposed Order.

[35] *Petition of MFS Communications Company, Inc., for Arbitration of Interconnection Rates, Terms, and Conditions with US WEST Communications, Inc., Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996,* Opinion and Order, Decision No. 59872, Docket No. U-2752-96-362 et al., 1996 WL 787940 (Arizona Corp. Comm. Oct. 29, 1996) at 7.

[36] *Petition of MFS Communications Company, Inc., for Arbitration Pursuant to 47 U.S.C. § 252(b) of Interconnection Rates, Terms, and Conditions with US WEST Communications, Inc.,* Decision Regarding Petition for Arbitration, Docket No. 96A-287T (Col. PUC Nov. 5, 1996) at 30. The Colorado Public Utilities Commission has since affirmed its rejection of US West's efforts to exclude ISP traffic from reciprocal compensation by rejecting such a provision in a proposed US West tariff. *The Investigation and Suspension of Tariff Sheets Filed by U S West Communications, Inc. With Advice Letter No. 2617, Regarding Tariffs for Interconnection, Local Termination, Unbundling and Resale of Services,* Docket No. 96A-331T,

to enhanced service providers, including ISPs, any differently than other local traffic.

Other states have reached similar conclusions. When New York Telephone unilaterally withheld payment of reciprocal compensation for local exchange traffic delivered to ISPs served by MFS Intelenet of New York, Inc. ("MFS-NY") and MFS-NY filed a complaint with the New York Public Service Commission ("NYPSC"), the NYPSC ordered New York Telephone to continue to pay reciprocal compensation for such traffic.[40] Following the filing of a similar complaint by an MFS affiliate, the Maryland Public Service Commission ruled that local exchange traffic to ISPs is eligible for reciprocal compensation.[41] Likewise, in response to a petition filed by Southern New England Telephone, the Connecticut Department of Public Utility Control ruled that local exchange

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Commission Order, at 8, § I.C.1.c (Colo. P.U.C. July 16, 1997).

[37] *Consolidated Petitions of AT&T Communications of the Midwest, Inc., MCImetro Access Transmission Services, Inc., and MFS Communications Company for Arbitration with US WEST Communications, Inc., Pursuant to Section 252(b) of the Federal Telecommunications Act of 1996,* Order Resolving Arbitration Issues, Docket Nos. P-442, 421/M-96-855, P-5321, 421/M-96-909, P-3167, 421/M-96-729, 1996 Minn PUC LEXIS 188 (Minn. PUC Dec. 2, 1996) at 75-76.

[38] *Petition of MFS Communications Company, Inc., for Arbitration of Interconnection Rates, Terms, and Conditions Pursuant to 47 U.S.C. Sec. 252(b) of the Telecommunications Act of 1996,* Commission Decision, Order No. 96-324, 1996 WL 786931 (Ore. PUC Dec. 9, 1996) at 13.

[39] *Petition for Arbitration of an Interconnection Agreement Between MFS Communications Company, Inc. and US WEST Communications, Inc., Pursuant to 47 USC § 252,* Arbitrator's Report and Decision, Docket No. UT-960323 (Wash. Utils. and Transp. Comm. Nov. 8, 1996) at 26.

[40] *Proceeding on Motion of the Commission to Investigate Reciprocal Compensation Related to Internet Traffic,* Case 97-C-1275, Order Denying Petition and Instituting Proceeding (NYPSC July 17, 1997). The Order also instituted a proceeding to consider issues related to Internet access traffic. Comments and Reply Comments have been filed.

[41] Letter dated September 11, 1997 from Daniel P. Gahagan, Executive Secretary, Maryland Public Service Commission, to David K. Hall, Esq., Bell Atlantic-Maryland, Inc.

traffic to ISPs is local in nature and eligible for reciprocal compensation.[42] The Virginia State Corporation Commission reached the same conclusion stating that:

> [c]alls that are placed to a local ISP are dialed by using the traditional local-service, seven-digit dialing sequence. Local service provides the termination of such calls at the ISP, and any transmission beyond that point presents a new consideration of service(s) involved. The presence of CLECs does not alter the nature of this traffic."[43]

Recently, the West Virginia Commission also concluded that:

> calls that originate and are terminated to ISPs in local calling areas are treated as local traffic -- regardless of whether the ISP reformats or retransmits information received over such calls to or from further interstate (or international) destinations.[44]

Likewise, on February 5, 1998, the Texas Public Utility Commission reversed an arbitrator's ruling by concluding that calls made on Southwestern Bell Telephone's network and terminating to ISPs on competitors' networks are local calls entitled to reciprocal compensation under interconnection agreements similar to those in this action.[45] As the Commission's Chairman concluded, ". . . I do feel comfortable that (a) we have jurisdiction; that (b) these are local calls that should be compensated accordingly; and that (c) I don't really see any ability or desire on my part

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[42] *Petition of the Southern New England Telephone Company for a Declaratory Ruling Concerning Internet Services Provider Traffic*, Docket No. 97-05-22, Decision (Conn. D.P.U.C. September 17, 1997).

[43] *Petition of Cox Virginia Telcom, Inc. for Enforcement of interconnection agreement with Bell Atlantic-Virginia, Inc. and arbitration award for reciprocal compensation for the termination of local calls to Internet service providers*, Final Order, Case No. PUC970069 (Va. S.C.C. October 24, 1997) at 2.

[44] *Petition For Arbitration of Unresolved Issues For the Interconnection Negotiations Between MCI and Bell Atlantic - West Virginia, Inc.*, Order, Case No. 97-1210-T-PC (W. Va. PSC Jan. 13, 1998) at 29.

[45] *Complaint of Waller Creek Communications, Inc., for Arbitration With Southwestern Bell Telephone Co.*, Transcript of Open Meeting (Tex. PUC February 5, 1998) at 26-27.

to undo a business contract."[46]

On February 26, 1998 the North Carolina Utilities Commission found that:

> calls that terminate within a local calling area, regardless of the identity of the end user, are local calls . . . and nothing in the Interconnection Agreement or applicable law or regulations creates a distinction pertaining to calls placed to telephone exchange service end users which happen to be ISPs.

The Commission ordered BellSouth "to immediately forward to US LEC all sums currently due together with the required late payment charges" and to pay all sums coming due in the future.[47]

These decisions show the Commission that fourteen state commissions. in exercising their duty to arbitrate and review interconnection agreements and enforce such agreements under the standards and terms enunciated in the Telecommunications Act of 1996 ("the Act"), with the authority in their states equivalent to the Commission's authority in Ohio, have decided that nothing in the Act provides for disparate treatment of traffic delivered to ISP customers.

These decisions, reaching from one end of the country to the other, should be considered by the Commission as persuasive evidence that Ameritech's position is totally without merit. This is not a surprising result given the inexplicable and discriminatory difference Ameritech proposes be applied to its ISP customers and the ISP customers of NECs.

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[46] *Id.* at 23.

[47] *In the Matter of Interconnection Agreement Between BellSouth Telecommunications, Inc., and US LEC of North Carolina, LLC*, Docket No. p-55, SUB 1027, North Carolina Utilities Commission (February 26, 1998). On February 27, 1998, the Oklahoma Commission reversed a decision by an arbitrator. In a unanimous vote, the Commission determined calls to ISPs are local and subject to reciprocal compensation. No written order has yet been released.

Clearly, the fact that the ISP is not a common carrier[48] but an end user that answers a local call from another end user, accepts requests for information from the end user, obtains that information over a wholly separate packet-switched data network, and then delivers that information to the end user is conclusive evidence of the severability of the elements that Ameritech argues should be treated as an indivisible interstate communication. The local call that is answered by the ISP and any subsequent transmission that is handled by the ISP are separate and distinguishable transmissions. Because the call terminated to the ISP is a local call, it must be compensated pursuant to the reciprocal compensation provisions of the Interconnection Agreement between Ameritech and ICG.

V. AMERITECH'S POSITION WOULD DISTORT THE COMPENSATION SCHEME UNDER THE ACT

The fact that Ameritech's position is without merit is further confirmed by the fact that Ameritech's position would result in a class of calls for which *no* compensation is provided under the statutory scheme. Section 251(b)(5) of the Act requires local exchange carriers "to establish reciprocal compensation arrangements for the transport and termination of telecommunications." The Act does not expressly limit this obligation or exclude any particular category of traffic.[49] Section 251(g), however, requires continued enforcement of the existing access charge regime, which, until it is superseded, provides for an alternative system of compensation for the transport and

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[48] 47 C.F.R. §64.702(a) ("Enhanced services are not regulated under Title II of Act.") Internet access is an enhanced service. *Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers,* Notice of Proposed Rulemaking, CC Docket No. 96-262 (rel. Dec. 24, 1996) at para. 284.

[49] 47 U.S.C. § 251(b)(5). The Act contemplates that the access charge regime will be superseded by the FCC. At that time, compensation for all calls will be under § 251(b)(5).

termination of telecommunications carried by two or more carriers.[50] The only way to read the two sections to give meaning to both, is to understand that the reciprocal compensation provision of Section 251(b) is intended to apply to compensation for the transport and termination of local traffic carried by two or more carriers -- that is, traffic for which compensation is not already provided by access charges.

This is the same conclusion reached by the FCC in its *Local Competition Order*. The FCC explained that the existing regulatory regime, in which interstate and intrastate interexchange traffic was subject to access charges, is to be maintained pursuant to Section 251(g) of the Act.[51] Traffic not subject to access charges, i.e., traffic that originates or terminates within a local calling area established by the state, would be subject to reciprocal compensation obligations.[52] The simple logic drawn from the Act is that access charges and reciprocal compensation are intended to dovetail to cover all types of traffic carried by two or more carriers: such traffic is to be treated either through reciprocal compensation or access charges, and no traffic is to incur both types of treatment. Thus, the statutory scheme requires, and the FCC has established that under the Act, the termination of traffic carried by two or more carriers not otherwise subject to access charges is subject to reciprocal compensation.

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[50] 47 U.S.C. § 251(g).

[51] *Implementation of the Local Competition Provision in the Telecommunications Act of 1996 ("Local Competition Order")*, CC Docket No. 96-98 (rel. Aug. 8, 1996) at para. 1034.

[52] *Id.*, paras. 1034- 1035.

This regulatory framework has been accepted and adopted by the states, NECs, and ILECs. ISPs purchase local exchange service[53] pursuant to local exchange tariffs so that their customers may utilize an ISP's services by dialing a local telephone number. The local call is answered by the ISP, and the ISP's customer (the calling party) is then able to request information which the ISP may retrieve from numerous sources including the Internet and local sources. These are the simple mechanics of traffic from end users to ISPs, and they are employed by NECs and ILECs alike. There is no question that ILECs provide local exchange service to their own ISP customers or that they consider this traffic to be intrastate for the purposes of separations. Neither NECs nor ILECs have special requirements for terminating local exchange service based upon the identity of the customer using the service.

Despite this regulatory and operational history, Ameritech has taken the position that it need not pay reciprocal compensation to ICG when ICG provides transport and termination for calls originated by an Ameritech end user and destined for an ISP served by ICG. Ameritech has withheld payment of such reciprocal compensation in a unilateral effort to *change* the existing system. By withholding the payment of reciprocal compensation for local traffic to ISPs, Ameritech has hammered a hole in the structure for the compensation of transport and termination of traffic carried by two or more carriers created by sections 251(b)(5) and 251(g). Adoption of the Ameritech position would have the unsupportable result of creating, under existing regulations, a class of calls for which a competing carrier would not be compensated for its transport and termination of traffic.[54]

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[53] The right of ISPs, as end users, to use local exchange service for the provision of their information service offering has been reaffirmed as recently as May 17, 1997. *Access Charge Reform Order*, paras. 342, 348.

[54] Tr. at p. 118, line 13 - p. 19, line 1; Tr. at p.37, lines 9-19.

This result is in clear violation of the Act.[55] The Commission must reject Ameritech's attempt to create a class of subscribers that are subject to disparate treatment in the provision of local exchange services, and must not create a class of telecommunications traffic carried by two or more carriers that goes uncompensated.

Not only would Ameritech's position create a regulatory void, it ignores the fact that the FCC has specifically decided that the existing regulatory environment with respect to the calls at issue - local calls to reach an ISP - should *not* even be considered for a change without the development of a more thorough record. In its *Access Charge Reform Order,* the FCC considered the arguments asserted by the ILECs that they were under compensated under the current system and decided that their arguments were without merit sufficient to impose an alternative regulatory regime.[56] Moreover, consistent with its view that the calls at issue are local, the FCC advised the LECs to address their concerns about under-compensation to state commissions.[57]

VI. AMERITECH'S OWN CONDUCT DEMONSTRATES THAT IT CONSIDERS THE DISPUTED CALLS TO BE LOCAL

Ameritech has always treated calls from its end users to ISPs it serves with telephone numbers in the same local service area as local calls.

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[55] 47 U.S.C. §§ 201, 202, 252(d)(2)(a).

[56] *Access Charge Reform Order*, paras. 346-347. The FCC rejected outright the ILECs proposal to apply access charges, designed for basic voice telephony over a circuit-switched network, to ISPs, which utilize a packet-switch network. *Access Charge Reform Order*, para. 348. The FCC determined that comparisons of ISPs to interexchange carriers regarding the use of the public switched network are not appropriate. *Id.*, para. 345.

[57] *Id.*, para. 346. In its ongoing *Internet NOI,* the FCC is considering the general implications of usage of the public switched telecommunications network for obtaining connections to the Internet. The mere existence of that inquiry in no way changes the existing regulatory system.

-- When an Ameritech customer places a call to a telephone number used by an ISP within the Ameritech customer's local service area, Ameritech rates and bills its customer for a local call pursuant to the terms of Ameritech's local exchange tariff regardless of which carrier provides the service to the ISP.[58]

-- Ameritech has treated traffic to its customers which are ISPs with telephone numbers in the local service area as local for purposes of booking revenues, separation, and ARMIS reporting.[59]

-- When an Ameritech customer which is an ISP answers an incoming call placed to a local number assigned to it, an answer supervision signal is returned and triggers Ameritech's timing and billing functions.[60]

-- Ameritech provides its ISP local exchange customers with service from its local exchange tariff.[61]

The above actions evidence the fact that Ameritech has in the past and still considers the disputed calls to be local in nature for all purposes, except for its contractual obligation to provide reciprocal compensation to its competitors. Moreover, Ameritech created a separate wholly owned subsidiary, Ameritech Interactive Media Services (AIMS), which provides Internet services to

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[58] Ameritech Responses to Discovery Requests of ICG, Admissions 2 and 3, Tr. at 130, lines 3-7.

[59] Schonhaut Testimony at p. 6, lines 3-10; Tr. at 30, line 21 to 31, line 10; Tr. at 156, lines 11-20.

[60] Schonhaut Testimony at p. 9, line 17 to p. 18, line 2, and Tr. at p. 155, lines 16-19.

[61] Tr. at 102, lines 13-21.

customers in Ohio.[62] AIMS obtains business local exchange service from Ameritech so that its customers can reach it by making a local call. Thus, Ameritech's actions are contradictory. On the one hand, it asserts that calls placed to ISPs are interstate in nature and not eligible for reciprocal compensation, but on the other hand, when dealing with its own subsidiary, it provides for AIMS to subscribe to an *Intrastate* Private Line. Such anti-competitive and discriminatory action on the part of Ameritech cannot be endorsed by the Commission. Moreover, the totally untenable nature of Ameritech's position is underscored by the fact that if ISP traffic were deemed interstate using Ameritech's end-to-end analysis rather than local, Ameritech would violate Section 271 of the Federal Act prohibiting the provision of interLATA service by an RBOC every time an Ameritech customer connected with AIMS. Undoubtedly, Ameritech cannot intend for this result to occur.

VII. AMERITECH'S RELIANCE UPON THE COMMISSION'S DECISION IN OHIO DIRECT COMMUNICATIONS, INC., CASE NO. 95-819-TP-CSS, IS MISPLACED

Ameritech suggests that the Commission's decision in *Ohio Direct Communications, Inc. v. ALLTEL Ohio, Inc. and the Western Reserve Telephone Company*, Case No. 95-819-TP-CSS, Order dated May 22, 1997, supports Ameritech's allegation in this proceeding that calls to ISP end users are not local calls. A review of the Commission's Order in the *Ohio Direct* proceeding, however, reveals clearly that the facts in that proceeding are so disparate from the facts here, that it can only be concluded there is absolutely no reasonable basis for Ameritech's allegation.

Unlike *Ohio Direct Communications*, ICG is a certificated carrier; is not alleged to have violated any law or tariff provision; and is not creating new "routes" to divert toll revenues from Ameritech. Similarly, Ameritech does not allege that ICG's service is technologically improper or

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[62] Ameritech's response to ICG Interrogatory 9.

a burden on any of Ameritech's facilities; nor does it suggest that ICG has not been paying Ameritech the appropriate compensation for any services received.

Moreover, it is incredible that Ameritech even raises a suggestion that the instant proceeding has any parallel with the *Ohio Direct* decision. As the *Commission* noted in the *Ohio Direct* Order:

1. Ameritech's complaint during the *Ohio Direct* proceeding was that *Ohio Direct* was providing a switched service to complete calls between points *not within the end users local calling area* (Order, page 10).
2. Ameritech was not complaining that *Ohio Direct* was providing local service; but rather that its usage of the existing network was contrary to the network's intended use, and that *Ohio Direct* should be required to be certified and purchase service from Ameritech under Ameritech's Feature Group A charges of Ameritech's Access Tariff (Order, page 11).
3. The primary thrust of Ameritech's position during the *Ohio Direct* proceedings, was that the operations of *Ohio Direct* imposed an improper burden upon Ameritech's facilities (Order, page 18).

None of the above are present in the instant proceeding. Indeed, when given an opportunity to do so, Ameritech cannot point to a single similarity between this proceeding and the Commissions' decision in the *Ohio Direct* case (Tr. 50-58).

Finally, it should be noted that Ameritech participated fully in the *Ohio Direct* proceeding, and during that proceeding maintained strenuously that the operations of *Ohio Direct* were readily distinguishable from the operations of an ISP. For example, in the Reply Brief of Ameritech filed January 24, 1996 in the *Ohio Direct* proceeding, Ameritech stated:

> ". . . Based on the characteristics of their operations, the call transfer companies like ODC can be readily distinguished from voice mail, cellular, *and computer on-line service providers*, and the lawful operations of the latter can in no way excuse the unlawful operations of the former."

Ameritech's reversal of position in this proceeding lacks credibility.

VIII. AMERITECH'S POSITION IS HIGHLY ANTICOMPETITIVE

Ameritech's position has severe anticompetitive implications. Any carrier terminating calls to an ISP incurs costs in terminating such calls (which are the same costs incurred in terminating calls to any other end user). Since Ameritech controls most of the originating traffic within its territory, its decision to withhold reciprocal compensation forces ICG and other new entrants to terminate these calls without compensation. The inevitable result will be that no NEC will actively seek to furnish service to an ISP, since providing that service will result in uncompensated termination costs. This situation will leave Ameritech with a *de facto* monopoly over service to ISPs, a state of affairs that was clearly not intended by Section 271 and other provisions of the 1996 Act.

This anticompetitive effect is further aggravated by the fact that Ameritech is now offering its own Internet access service to consumers. By gaining monopoly power over local exchange service to ISPs with the potential of increasing ISPs' costs for network access, Ameritech will be in a position to drive competing ISPs out of the local market, thereby leaving Ameritech with a *de facto* monopoly over access to the Internet as well.

IX. CONCLUSION

After paying reciprocal compensation for the disputed calls for months without protest, Ameritech's sudden revision of its interpretation of its interconnection agreements with ICG and the other NECs comes only now that the scale of compensation paid pursuant to valid and enforceable interconnection agreements has apparently exceeded Ameritech's expectations.[63] Stripped to its bare essentials, the dispute results from the fact that Ameritech is unhappy with the terms it negotiated. As the monopoly carrier, it appears to believe that in such circumstances it can unilaterally abrogate the Agreement. The Commission should determine that no change in treatment of the disputed calls is justified at this time. These calls should be considered local calls for purposes of reciprocal compensation.

Thus, the Commission should affirm that local exchange traffic between local exchange end users is eligible for reciprocal compensation, regardless of the identity of the serving carrier or the end user, and that local exchange carriers must pay reciprocal compensation to each other for the transport and termination of such traffic. The Commission should order Ameritech to immediately

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[63] Testimony of Suzanne J. Springsteen, at p. 3, line 5 to p. 4, line 10 (Ameritech anticipated a closer balance of traffic flow as the customer base of competing carriers grew).

pay ICG all amounts withheld, with interest, and provide such further relief, including attorneys fees, as it deems appropriate.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Post Hearing Brief of ICG Telecom Group, Inc. was served upon the Parties of Record listed below, this 3rd day of March, 1998.

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Resale

Fresh Look

Internal ICG correspondence concerning customer contracts with Ameritech.

Jackson, Carl

From: Williams, Sue
Sent: Wednesday, February 25, 1998 10:55 PM
To: Jackson, Carl
Subject: FW: Ameritech FYI

-----Original Message-----
From: Wajda, Matt/SLS-DEN
Sent: Friday, September 05, 1997 10:09 AM
To: Letcher, Jean / SLS-COL; Schneider, David/SLS-COL; Williams, Sue/Dir Govt Affairs
Subject: RE: Ameritech FYI

Sue,

Below is a concern about how Ameritech is doing business. The customer mentioned below can not be pointed at as the giver of this info. We need to know more about these, exspecially #1. How can Ameritech offer discounts based on all services? If this is tariffed we need to know about it right away.
Please help,
Matt

From: Schneider, David/SLS-COL
Sent: Friday, September 05, 1997 9:43 AM
To: Letcher, Jean / SLS-COL
Cc: Wajda, Matt/SLS-DEN
Subject: Ameritech FYI

Yesterday I had lunch with Robb Rousch, Sun TV, and he enlightnened me on a few of Ameritech's shananagans. 1) When they received our freshlook letter, their account team came out with a new proposal based on committed revenue covering all services in use, which saved $47k/ yr. This required no changes, just savings for the corp office, so they signed. 2) Ameritech told Robb that when they receive Freshlook letters, the customers are contacted emmediately and offered this plan. 3) For several of their stores that have centrex long term contracts, Ameritech has recently proposed new contracts which Sun is currently considering. Their pitch to Sun is that these contracts will now have same termination dates, (almost).

Questions: Is #1 been tariffed to offer this, if yes we need a copy.

Is Ameritech breaking any rules with the PUCO when they turn these letters into sales opportunities?

#3- Is this Ameritech's way to get around freshlook by re-uping current contracts, and how do they get away with it?

What are your thoughts? Also, Robb told me this in confidence and does't want to be quoted. So we need to talk before we take action.

Resale

Fresh Look

ICG correspondence describing a customer who indicated that Ameritech contacted him immediately after ICG asked for a contract under Fresh Look rules.

Jackson, Carl

From: Williams, Sue
ent: Wednesday, February 25, 1998 10:55 PM
.o: Jackson, Carl
Subject: FW: FRESHLOOK QUOTES

-----Original Message-----
From: Letcher, Jean / SLS-COL
Sent: Wednesday, September 03, 1997 11:20 AM
To: Williams, Sue/Dir Govt Affairs
Cc: Davis, Scott/SLS-COL; Martin, William/SLS-COL; Rhinehart, Ross/SLS-COL; Schneider, David/SLS-COL; Speno, Anthony/SLS-COL; Wajda, Matt/SLS-DEN; Backus, Steve/ENG-COL; Bryant, Shelley/MKT-DEN; Green, John/SLS-COL; Manna, Steve/DIR SLS-CLV; Moog, Tony/SLS-COL; Savarese, Mary Jo/OPS-COL; Schneider, John/OPS-CLV; Southall, Mary/SLS-DEN; Wyzlic, Martin/SLS-COL; Diederen, Jana/COL-SLS
Subject: RE: FRESHLOOK QUOTES

Sue, to clarify, this is happening in each and every instance that we are requesting the Freshlook termination liability. Are you saying that we should have the customer call in each and every circumstance? Is it an option for you to call the PUCO to inform them?

From: Williams, Sue/Dir Govt Affairs
Sent: Tuesday, September 02, 1997 1:47 PM
To: Letcher, Jean / SLS-COL
Cc: Davis, Scott/SLS-COL; Martin, William/SLS-COL; Rhinehart, Ross/SLS-COL; Schneider, David/SLS-COL; Speno, Anthony/SLS-COL; Wajda, Matt/SLS-DEN; Backus, Steve/ENG-COL; Bryant, Shelley/MKT-DEN; Green, John/SLS-COL; Manna, Steve/DIR SLS-CLV; Moog, Tony/SLS-COL; Savarese, Mary Jo/OPS-COL; Schneider, John/OPS-CLV; Southall, Mary/SLS-DEN; Wyzlic, Martin/SLS-COL; Diederen, Jana/COL-SLS
Subject: RE: FRESHLOOK QUOTES

The customer needs to bring this to the PUCO's attention.

From: Letcher, Jean / SLS-COL
Sent: Friday, August 29, 1997 12:45 PM
To: Williams, Sue/Dir Govt Affairs
Cc: Davis, Scott/SLS-COL; Martin, William/SLS-COL; Rhinehart, Ross/SLS-COL; Schneider, David/SLS-COL; Speno, Anthony/SLS-COL; Wajda, Matt/SLS-DEN; Backus, Steve/ENG-COL; Bryant, Shelley/MKT-DEN; Green, John/SLS-COL; Manna, Steve/DIR SLS-CLV; Moog, Tony/SLS-COL; Savarese, Mary Jo/OPS-COL; Schneider, John/OPS-CLV; Southall, Mary/SLS-DEN; Wyzlic, Martin/SLS-COL; Diederen, Jana/COL-SLS
Subject: FRESHLOOK QUOTES

Sue, I wanted to clarify with you what is happening when customers request the termination liability for their contracts. If a customer has a Centrex contract with Ameritech that has a minimum of 7 lines and the customer actually has 20 installed Centrex lines, then Ameritech quotes their termination liability for 20 lines, when in fact their commitment is only for 7. We asked the Ameritech rep at the Freshlook number if the customer could cancel 13 lines with no liability and then pay the termination on the minimum of 7 lines that they are committed to and they said yes. We asked the Ameritech rep why they wouldn't just give the termination liability on the 7 lines to begin with and she explained that she was quoting the termination on the 20 because that is what she was told to do.

This obviously doesn't sound right for the customer. Can you do anything about this?

Resale

ICG Customer Survey Indicating Ameritech Service Problems

ICG Customer Survey

Customer Data Analysis

- The Service Department relies on Ameritech to resolve 90% of all repair issues that come in.
- Our customers have indicated 92% of the time their issues have not been resolved right the first time.
- 20% of all Ameritech Move/Add/Change (Zone CTX) customers indicated an interruption to their service, due to the MAC, resulting in a repair issue.
- 50% of those customers have told us that the service resolution was done poorly.
- 50% of all repair issues are related to actual line downtime or noise/static on the line.
- It takes an average of 26 hours for Ameritech to resolve a downtime issue.
- It takes an average of 48 hours for Ameritech to resolve a noise/static issue.
- The average time from when a MAC order is sent to Ameritech to the time a MAC order is completed is 16 days.
- The average time from when a new order is sent to Ameritech to the time the order is completed is 12 days.
- The Customers-At-Risk revenue in April 97 was around $90000, in December it was around $160000.
- $80000 in credits were issued in 1997 due to Ameritech service issues.

Repair Observations:

The following are the measurement points we base quality performance on:

Point	Question Type
Overall Satisfaction	1-5
Accessibility	1-5
Politeness	1-5
Willingness to Help	1-5
Ability to Understand Problem	1-5
Repair Right the First Time	Y/N
Repair Made in Promised Time	1-5
Capability	1-5
Follow Through	1-5

The key driver to performance in this service interaction is whether or not the repair is done right the first time, or rather, whether the customer perceives the repair was done right the first time. The question that we ask the customer is "Is this the first time you are calling about this problem?". The following is a comparison of how even the average scores differ when either condition exists:

Point	Right the First Time	Not Right the First Time
Overall Satisfaction	4.10	3.57
Accessibility	3.59	3.49
Politeness	4.55	4.34
Willingness to Help	4.28	4.27
Ability to Understand Problem	4.08	3.89
Repair Made in Promised Time	4.14	3.77
Capability	4.07	3.59
Follow Through	4.27	3.68
Likely to Continue Using?	4.60	4.02
Likely to Recommend?	4.32	3.92

An overall conclusion would be that if the majority of repair issues could be done right the first time, service quality would be impacted highly. The following shows the occurrence breakdown of first time calls compared with non-first time calls in 1997:

Survey Month	Yes	No	Percentage
Jan-97	17	43	28%
Feb-97	23	75	23%
Mar-97	5	100	5%
Apr-97	0	120	0%
May-97	0	86	0%
Jun-97	0	92	0%
Jul-97	1	78	1%
Aug-97	19	77	20%
Sep-97	13	63	17%
Oct-97	0	49	0%
Nov-97	1	62	2%
Dec-97	0	88	0%
Total	**79**	**933**	**8%**

As a result, these outcomes have had a large effect on service quality within the repair service interaction.

A thing to keep in mind would be that what a customer perceived may not be an actual repeat problem. A customer may perceive a line down and a non functioning feature as being the same problem, particularly if these 2 different problems occur within a short time period of each other. However, in order to drive quality processes, they must be customer focused. Also, one of the root causes may be that when one item is being

repaired, another item is impacted, so if when repairing the down line, we corrupt the feature set, we haven't delivered quality.

Zone CTX Move/Add/Change

The following are the measurement points in the DTP MAC service interaction:

Point	Question Type
Overall Satisfaction	1-5
Ability to Meet Objectives	Y/N
Service Interruption	Y/N
Interruption Resolution	1-5
Meeting Original Timeframe	1-5
Accessibility	1-5
Courtesy/Politeness	1-5
Product Knowledge	1-5
Ability to Identify Solutions	1-5
Ability to Meet Deadlines	1-5
Follow Through	1-5

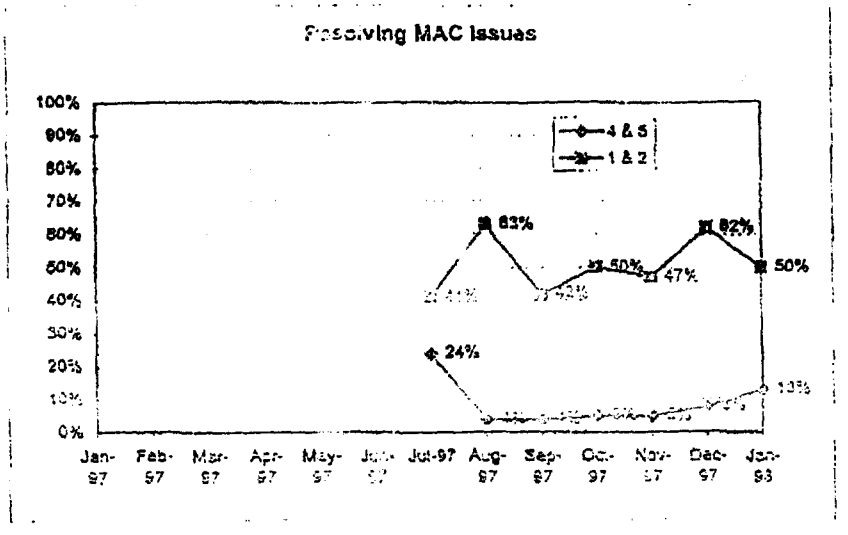
A key driver of service quality in this interaction is whether or not a customers service gets interrupted due to the move, add, or change. The following shows the impact of interruptions to the average satisfaction scores:

Question Description	Service Interruption	No Service Interruption
Overall Satisfaction	2.18	3.64
Interruption Resolution	2.18	2.68
Meeting Original Timeframe	2.27	3.79
Accessibility	2.37	3.19
Courtesy/Politeness	3.85	4.19
Product Knowledge	3.36	4.09
Ability to Identify Solutions	2.99	3.98
Ability to Meet Deadlines	2.27	3.79
Follow Through	2.44	3.43
Likely to Continue Using?	3.20	3.91
Likely to Recommend?	2.86	3.85
Average	**2.75**	**3.67**

Service interruption occurs about 20% of the time, which is not an acceptable occurance rate, and does impact our overall service quality. The following shows the 1997 data, note that this measurement started June 1997:

Survey Month	Service Interruption	No Service Interruption	Percentage
Jun-97	1	10	9%
Jul-97	27	106	20%
Aug-97	24	100	19%
Sep-97	27	109	20%
Oct-97	18	76	19%
Nov-97	15	93	14%
Dec-97	21	52	29%
Total	133	546	20%

When there is a service interruption, the ability to resolve those issues really falls short as evident in the following chart:



The question is a 1 through 5 ranking question, 5 being the best. You can see that the percentage of 1's and 2's are extraordinarily high.

Ameritech Observations

The following two pages illustrates the most recent performance data that Ameritech provides our Customer Service Management. The following areas (Charts) are those which Ameritech does not serve our needs as much as other wholesalers and their own Re-Sale division:

- Confirmed Due Dates Not Met
- New Service Failures