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**REDACTED - FOR PUBLIC INSPECTION**

November 24, 2000

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Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: EX PARTE -- CC Docket No. 00-176: Application of Verizon  
Pursuant to Section 271 of the Telecommunications Act of 1996 to  
Provide InterLATA Services in Massachusetts

Dear Ms. Salas:

Enclosed is a confidential memorandum submitted to correct or respond to some of the many misleading assertions in Verizon's November 3 reply brief. The confidential version of the memorandum and a redacted version of the document are being submitted with appropriate cover letters with the understanding that the confidential material will be fully protected by the Protective Order established specifically for this docket (CC Docket No. 00-176; rel. September 22, 2000) and that the requirements for review and use of this document will be fully satisfied.

In accordance with section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, an original and one copy of this Notice are being filed with your office.

Sincerely,



Keith L. Seat

Enclosure

cc (w/encl.): Josh Walls, Cathy Carpino

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## REDACTED - FOR PUBLIC INSPECTION

### Corrections and Responses to Verizon's November 3, 2000 Reply Brief Filed in Its Section 271 Application for Massachusetts

This memorandum is submitted on behalf of WorldCom, Inc. to correct or respond to some of the many misleading assertions in Verizon's November 3, 2000 reply brief in its section 271 application for Massachusetts, Docket 00-176. Review of Verizon's reply brief reveals that Verizon has no adequate response to most of the arguments advanced by commenters, and so instead either ignores or misstates critical issues in a manner that demonstrates only that Verizon has not proven compliance with the competitive checklist as required by section 271.

#### **Pricing:**

**1. Verizon Statement:** *WorldCom offers service "in New York over platforms that it has leased at the very same rates that are now available in Massachusetts." Verizon Rep. Br. at 19.*

**WorldCom Response:** The platform costs WorldCom considerably more in Massachusetts than in New York because loop prices are substantially higher in Massachusetts than in New York. As WorldCom and AT&T have shown in their submissions, Massachusetts' loop rates are greatly in excess of a TELRIC rate.

**2. Verizon Statement:** *"[T]he Commission has found that, in determining whether a wholesale rate comports with the 1996 Act, 'the difference between [Verizon's] wholesale rates and retail rates' is irrelevant. NY Order ¶ 382." Verizon Rep. Br. at 19.*

**WorldCom Response:** The Commission has consistently maintained to the contrary that "because the purpose of the checklist is to provide a gauge for whether the local markets are open to competition, we cannot conclude that the checklist has been met if the prices for interconnection and unbundled network elements do not permit efficient entry." MI Order ¶ 287. Section 382 of the NY Order addressed an entirely different claim that Verizon's resale rates failed to reflect the Commission's "avoided cost" standard because Verizon "offer[ed] resold services at an across the board discount . . . even though each local product . . . carries a different retail profit margin above its cost." Id. That discussion had nothing at all to do with the pricing of unbundled network elements.

**3. Verizon Statement:** “[T]hroughout these proceedings, the DTE ‘consistently and faithfully applied the FCC’s TELRIC methodology.’” *Verizon Rep. Br. at 20 (quoting DTE).*

**WorldCom Response:** Verizon has never once attempted to rebut WorldCom’s showing that in many respects the DTE rates relied on patently unreasonable and indefensible assumptions, and that the rates that resulted therefore fall well outside the range of rates that would result from reasonable application of TELRIC principles.

**4. Verizon Statement:** *Reliance on the October 13 rates complies with the “complete when filed” rule because “by its terms the rule permits a section 271 applicant to ‘submit new factual evidence . . . to rebut arguments made, or facts submitted’ so long as such evidence does not ‘post-date the filing of the relevant comments.’”* *Id.* at 22 (quoting the FCC).

**WorldCom Response:** Leaving aside the fact that both the amended new rates and the Collins Reply Declaration did post-date the filing of the relevant comments, the newly filed rates are not new factual evidence that “rebut” a showing that existing rates are not TELRIC-compliant. To the contrary, they are powerful evidence that Verizon was unable to rebut that showing. It is crystal clear that Verizon has egregiously violated the “complete when filed” rule in a way that seriously prejudiced commenters. If the Commission were to consider the new rates it would signal complete abandonment of that rule.

**5. Verizon Statement:** *“The DOJ has also given Verizon a clean bill of health on virtually all aspects of its performance with respect to the 1996 Act’s third entry path – unbundled network elements – and express concerns about only one subset of one checklist item . . . with respect to access to DSL loops.”* *Verizon Rep. Br. at 2.*

**WorldCom Response:** The DOJ expressly declined to find that “prices for unbundled network elements in Massachusetts are appropriately cost based,” DOJ Eval. at 2 n. 5, and found instead “substantial reason to believe that UNE-platform entry has been impeded by Verizon’s failure . . . to make certain network elements available to competitors at cost-based prices.” *Id.* at 17. The DOJ also notably declined to pass on the adequacy of Verizon’s new switching and transport rates, since Verizon’s decision to adopt those rates the day before interested parties’ comments were due “deni[ed] the Department the benefit of these parties’ analyses before its own evaluation was due.” In addition, DOJ noted with concern that “there is no underlying documentation to show . . . that the new rates are cost based in Massachusetts.” *Id.* at 20.

**6. Verizon Statement:** “[A]ny arguments that UNE rates in Massachusetts are not TELRIC-compliant” are “put to rest” because Verizon’s switching rates are “virtually identical to those same costs for New York, which the FCC already found to be reasonable and in compliance with TELRIC.” *Verizon Rep. Br. at 18.*

**WorldCom Response:** The Commission has squarely rejected the view that BOC applicants satisfy their obligation to prove that their prices are TELRIC-compliant merely by showing that the prices are similar to those in another state. Instead the Commission has made clear that each state is “oblig[ed] . . . to determine prices on its own. In order for us to conduct our review, we expect a BOC to include in its application detailed information concerning how unbundled

network element prices were derived.” MI Order ¶ 291. As to the New York rates upon which Verizon inappropriately relies, the Commission made clear that it supported the rates in New York only because it believed the NYPSC “‘appropriately exercised its power to take account of conditions in New York’ when it determined switching costs pursuant to TELRIC.” NY Order ¶ 245 (quoting NYPSC). The NYPSC, for its part, believed it was acting “‘appropriately” in approving rates it acknowledged to be flawed only because it determined promptly to convene a new proceeding, provide a “true-up,” and, in the meantime, “the switching prices here are much lower than New York Telephone’s retail prices, providing ample margin to competitors even at their present level.” Order Instituting New Proceeding at 12. None of these relevant “conditions in New York” are present in Massachusetts. Nor has Verizon even allowed participants in the Massachusetts proceeding access to the confidential material in the New York proceeding relevant to pricing that would allow participants to discuss intelligently any relevant comparisons between the two states. See November 16, 2000 letter from Verizon counsel Evan Leo to WorldCom counsel Mark Schneider (attached) (pricing material subject to the protective order in the New York section 271 proceeding “under the express terms of that [New York] protective order, cannot be used in any other proceeding including the Massachusetts proceeding.”).

**7. Verizon Statement:** *In making claims about its rates, “Verizon used a figure of approximately \*\* \*\* originating and terminating minutes of use (MOU) per line per month.” Collins Rep. Decl. ¶ 10 (confidential version). See also attachment to Verizon Confidential Ex Parte filing of September 27, 2000 (similar figure).*

**WorldCom Response:** Verizon’s “minutes of use” figure reflects \*\* \*\* the minutes of use of WorldCom’s average customer, based on actual concrete measurements of WorldCom’s customers’ usage as reflected in recent bills Verizon (and SWBT) have submitted to WorldCom for UNE-P payments. Verizon does not claim that its figure is similarly based on an accounting of all residential usage over its switches over some period of time; instead it appears to be an estimate based on undisclosed assumptions, allocations, and sampling of whatever records Verizon has chosen to examine. WorldCom has no reason to believe its customers stay on the telephone on average \*\* \*\* than Verizon’s customers. Instead, it seems clear that Verizon’s undisclosed assumptions are inaccurate or invalid. This renders both unproved and unreliable all of the claims Verizon makes (or intends to make) that depend on switch usage, including in particular claims that the Massachusetts switching and transport rates are “the same” as the New York rates, and any claims relating to the competitive consequences of Verizon’s wholesale rates.

**8. Verizon Statement:** *Although there are proportionately fewer UNE platforms in Massachusetts than in New York, “Verizon’s recent reduction in its UNE switching rates (and the corresponding decline in platform rates) gives competitors everything they themselves have said they need quickly to begin competing for mass-market customers on a widespread basis.” Verizon Rep. Br. at 50.*

**WorldCom Response:** Even after Verizon’s last-minute reduction in switching rates, Verizon’s wholesale rates do not provide a sufficient margin to permit competitive entry. As the Commission has noted, the best proof of whether a local market is open is the presence of competition in all three modes of entry. See MI Order ¶ 387. The extremely limited extent of

UNE-P competition in Massachusetts raises fundamental questions as to the openness of the Massachusetts markets. In addition, Verizon controls the timing of its rate adjustments, and the fact that Verizon waited until after it filed its section 271 application to lower its wholesale rates does not ease the evidentiary burden that Verizon faces in demonstrating the openness of its markets.

**Line splitting:**

**9. Verizon Statement:** *Verizon “does not preclude” CLECs from ordering unbundled elements and combining them at a CLEC collocation to provide voice and data, and thus satisfies this Commission’s requirement that it provide line splitting, as confirmed by the Massachusetts DTE. Verizon Rep. Br. at 35-36.*

**WorldCom Response:** Verizon’s resort to a double negative is a far cry from the necessary affirmative showing that Verizon can and will concretely support nondiscriminatory provision of line-splitting over UNE-P. Although it bears the burden of proof, Verizon’s filings do not specify, or even point to relevant agreements to set forth the processes, systems, conditions, and prices for ordering line splitting over UNE-P. Verizon’s vague description suggests that it may require CLECs to order an entirely new set of UNEs and pay unnecessary charges to connect them, rather than use the existing UNE-P configuration and pay no more than the cost-based rate assessed to perform identical work to establish a line-sharing arrangement on an existing voice circuit. Verizon’s reliance on the Massachusetts DTE order throws further doubt on Verizon’s compliance with this checklist requirement, for that order concluded that Verizon has no obligations to facilitate the provision of voice and data by two CLECs over a single loop, and thus apparently limits Verizon’s “line splitting” obligation to the case in which a single CLEC provides both services. Massachusetts DSL Order at 38-39.

**Performance measures and remedies:**

**10. Verizon Statement:** *Verizon’s failure to report results under three approved metrics is excusable because it is still completing development work needed to do so, and there would in any event be nothing to report as CLECs have not initiated development of these reported-on transactions. Verizon Rep. Br. at 54 n. 77.*

**WorldCom Response:** Verizon’s contention that the CLECs must begin ordering elements before Verizon implements state-required metrics is ridiculous and for the most part irrelevant. Thus, with respect to the metric for Manual Loop Qualification, for example, Verizon’s own excuse for its performance on PR-3-10 is that CLECs do use manual loop qualification, and that time for this process is unfairly being included in the provisioning measure. If this is really so, it is in Verizon’s own interest to ensure the timely development of a separate, and separately measured, manual loop qualification transaction. Moreover, none of these explanations excuse Verizon’s failure to report Achieved Flow Through. As WorldCom discussed in its opening comments, Verizon has been reporting this metric in New York even while possible future modifications were under discussion, and indeed has reported other metrics in Massachusetts while further revisions were under discussion in New York. This metric addresses a critical

indicator of the functioning of Verizon's OSS, and there clearly would be "something to report" if Verizon chose to report it.

**11. Verizon Statement:** *The exclusion of the Special Provision regarding Missing EDI Notifiers, as well as its associated penalties, from the Massachusetts PAP is insignificant because those metrics were not part of the PAP that the FCC approved in New York. The DTE can make changes to the PAP if it is necessary, and has indicated an intent to adopt changes made in New York. "Finally, it is neither necessary nor appropriate to include in the Massachusetts Plan subsequent, temporary changes made to the New York plan to address transient situations." Verizon Rep. Br. at 56, n. 80; 57, n. 83.*

**WorldCom Response:** The fact that these metrics were not in existence at the time of the approval of the New York 271 application demonstrates an acknowledged failing of that plan that was vividly revealed by post-entry commercial experience. That mistake should not be repeated here. Moreover, although these measures had their genesis in crisis, they are now a permanent part of the New York PAP, not temporary as Verizon asserts.<sup>1</sup> The fact that the Massachusetts DTE has not incorporated them into its PAP undercuts its representation that it intends to incorporate into the Massachusetts PAP whatever new metrics the NYPSC adopts for the New York PAP. But in any case, resting on the assurance that the Massachusetts PAP can react to solve future crises does not substitute for an effective, self-effectuating plan today.<sup>2</sup> If, as Verizon contends, this problem is fully resolved, it has nothing to lose by reporting its performance.

**12. Verizon Statement:** *Massachusetts regulators correctly concluded that their Consolidated Arbitrations remedies were more comprehensive than contract remedies available in New York and thus to make PAP remedies cumulative would subject Verizon to double counting. Verizon Rep. Br. at 56-57.*

**WorldCom Response:** Verizon, in other words, here acknowledges that the two state's remedy plans are radically different. In New York, this Commission found the total monetary incentives against backsliding to be adequate because there were several sources in addition to the PAP, including liquidated damages under interconnection agreements. NY Order ¶ 430. In Massachusetts, CLECs will get either Consolidated Arbitrations remedies or PAP credits. Because the Massachusetts PAP caps remain at 36% of ARMIS-reported local profits, the total level of deterrence in Massachusetts is lower than that present in New York at the time of 271 approval, let alone the level that the NYPSC has subsequently found to be necessary in practice

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<sup>1</sup>See Kinard Decl., in WorldCom's initial comments herein, Att. 4 (Order Directing Market Adjustments and Amending Performance Assurance Plan, Cases 00-C-0008, 00-C-0009, & 99-C-0949 (NYPSC March 23, 2000)).

<sup>2</sup>Although this does not answer its other concerns, WorldCom commends Verizon for filing with the DTE a revision to its PAP including an "Added provision for DTE authority to reallocate bill credits." See Guerard/Canny Joint Rep. Decl., Attach. E, at 2 (emphasis added).

to deter backsliding. This level is insufficient, and most certainly can no longer be defended on the ground that it is “the same as” New York’s remedial scheme.

**13. Verizon Statement:** *The Massachusetts PAP waiver is identical to the one approved in New York, except that it has been narrowed at the DTE’s direction. Verizon Rep. Br. at 57-58.*

**WorldCom Response:** The waiver provision of the Massachusetts PAP differs from that approved in New York because it places no time limit on resolution of a waiver request. Compare NY Order ¶ 441. Moreover, Verizon’s changes to the CLEC-action waiver do not narrow its grounds; Verizon’s changes merely provide examples of when it will apply for waivers.

**14. Verizon Statement:** *The DSL provisions of the Massachusetts PAP are identical to those in New York PAP, and thus are sufficient since the Commission approved of the New York PAP. Verizon Rep. Br. at 58.*

**WorldCom Response:** There were no DSL provisions in the New York PAP at the time the Commission reviewed it. In approving the New York application, this Commission did not consider New York’s DSL offering, because that offering was developing just as the application was being processed. For the same reason, the New York PAP it considered contained no stand-alone DSL provisions, let alone provisions concerning line sharing. This Massachusetts application is therefore the Commission’s first opportunity to consider the DSL provisions of Verizon’s PAP. The changes WorldCom and other CLECs advocate have also been raised in the New York annual review of that state’s PAP, where Verizon itself has agreed that more and better DSL measures are required.<sup>3</sup> If anything, then, the identity of the Massachusetts and New York plans demonstrates the inadequacy of the Massachusetts PAP.

**OSS:**

**15. Verizon Statement:** *“WorldCom claims that Verizon has little commercial experience with its OSS in Massachusetts because Verizon processed only 5,000 UNE-platform orders in July and only four of those were submitted over the Electronic Data Interchange (‘EDI’) interface. . . . This claim is contrary to fact.” McLean/Wzierbicki Rep. Decl. ¶ 5.*

**WorldCom Response:** The facts Verizon provide do not support its denial. To the contrary, Verizon states that it has more experience than it had in New York at the time of its section 271 application “in every category except UNE-platforms.” Id. But Verizon’s inexperience in processing UNE-platform orders is exactly WorldCom’s point. UNE-platform is the only method that can provide ubiquitous residential competition in the near term. Moreover, because most of Verizon’s New York experience involved UNE-platform, Verizon’s claim that it has

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<sup>3</sup>See Kinard Decl., Att. 5 (Letter Comments of Verizon-NY in Case 99-C-0949, regarding Annual Review of the New York Performance Assurance Plan (filed with NYPSC Sept. 15, 2000)).

similar experience in Massachusetts as it had in New York “except for UNE-platforms” says very little.

**16. Verizon Statement:** *“Verizon’s interfaces and gateway systems are identical to those used in New York. The underlying OSS . . . are the same applications in Massachusetts and New York. In most cases there are separate copies for New England, although in some cases one copy serves both areas. Within billing, there are different components between New York and New England for message and payment processing.” McLean/Wzierbicki Rep. Decl. ¶ 6.*

**WorldCom Response:** Verizon acknowledges that in many cases there are separate copies of its hardware and software in Massachusetts and New York as well as different components in its billing system. Verizon has previously acknowledged a number of other differences in its OSS, many of which result from product and regulatory differences between New York and Massachusetts. Kwapniewski Decl. ¶¶ 33-35. Finally, the fact that KPMG found and corrected a number of important problems during testing in Massachusetts strongly suggests that the OSS is not identical in Massachusetts and New York.

**17. Verizon Statement:** *“WorldCom argues, nevertheless, that Verizon cannot rely on its experience in New York here because a large number of the business rules for the LSOG 2/3 version of the EDI interface are not uniform between Massachusetts and New York, and even with LSOG 4, 20% of the business rules differ. . . . Where differences exist between jurisdictions, it is generally related to product/tariff differences. Those specific cases affect the business rules for less than 1% of fields, and they have been explained to and accepted by the CLECs in the collaborative forum.” McLean/Wzierbicki Rep. Decl. ¶ 7.*

**WorldCom Response:** WorldCom worked with Verizon in collaboratives to create the uniform interfaces Verizon was required to provide under the Bell Atlantic/NYNEX merger conditions. The amount of uniformity in Verizon’s documentation has increased in each succeeding version of the LSOG 4 interfaces – February, June and October. Nonetheless, important differences remain even in the documentation. WorldCom and Verizon agreed that interfaces should differ based on product and regulatory differences. For example, CLECs are required to use different USOCs and FIDs and combinations of USOCs to order products in different states. Verizon’s claim of less than 1% variance in business rules almost certainly ignores these differences. The existence of these differences on the face of Verizon’s documentation is one reason that the interfaces must be shown to work in each state.

A second reason that Verizon’s interfaces must be shown to work in each state is that Verizon’s gradual reduction of differences between New York and Massachusetts in its documentation does not mean that those differences have necessarily been eliminated in practice. For example, Verizon’s business rules now show that it has eliminated differences that previously existed with respect to abbreviations for certain address fields – a change that required significant work in Verizon’s back-end to achieve. Only experience can show whether orders submitted according to the documentation will actually work, however. Indeed, in June, when WorldCom tested the LSOG 4 interfaces it developed in Pennsylvania, WorldCom found differences even where Verizon’s business rules appeared uniform on their face. For example, in New York, Verizon returns to CLECs information in the state field on pre-order transactions.

Yet in Pennsylvania Verizon did not return this same information even though the business rules were the same. Because WorldCom had built its interface based on the expectation it would receive the state information, it needed to recode its interface.

**18. Verizon Statement:** *“WorldCom raises only four items in support of the claim that KPMG’s test was limited.” McLean/Wzierbicki Rep. Decl. ¶ 12.*

**WorldCom Response:** Both WorldCom and the Department of Justice pointed out many more than four areas that are not covered by the KPMG test. Kwapniewski Decl. ¶¶ 62-66; DOJ MA Eval. at 21 n. 74. WorldCom also pointed out areas that KPMG did test but tested inadequately, and other areas in which KPMG testing actually revealed defects in Verizon’s OSS. Kwapniewski Decl. ¶ 41, 50-61, 67-69.

**19. Verizon Statement:** *“WorldCom also argues that . . . [KPMG] closed observations without root cause analysis, and . . . its discussion of individual test points reveals problems that are not evident in KPMG’s overall ‘Satisfied’ evaluations. . . . WorldCom raises just three comments by KPMG in support of its argument.” McLean/Wzierbicki Rep. Decl. ¶¶ 18, 20.*

**WorldCom Response:** WorldCom pointed to many Observations KPMG closed without root cause analysis and without a retest. Kwapniewski Decl. ¶¶ 58-61. WorldCom also pointed to numerous problems discussed in KPMG’s Final Report but ignored in KPMG’s conclusion that performance was satisfactory. This includes KPMG’s findings concerning Verizon’s help desk, documentation, return of notifiers and flow through. In addition, KPMG found that Verizon returned inaccurate address validations on 64% of samples. Final Report at 57, n. 32. Verizon says this would not happen in a commercial environment. McLean/Wzierbicki Rep. Decl. ¶ 20. But Verizon did not convince KPMG of this; to the contrary, KPMG stated that Verizon’s failure constituted a potential impediment to CLECs. (Aug. 28 Tr. at 3246 (VZ-MA App. B, Tab 545).) KPMG also found that Verizon did not return 2% of pre-order transactions. Final Report at 48. Verizon responds that the Massachusetts DTE “described the fix.” McLean/Wzierbicki Rep. Decl. ¶ 21. But according to KPMG, the fix reduced the percentage of transactions Verizon failed to return to 2%; it did not eliminate it. Id. KPMG also found that Verizon failed to return accurate error messages. Final Report at 58. KPMG did not say it was the rare occurrence that Verizon suggests. McLean/Wzierbicki Rep. Decl. ¶ 22. In short, when the findings of the KPMG Report are reviewed, rather than its conclusions, Verizon’s performance appears far from satisfactory.

**20. Verizon Statement:** *“KPMG performed a functional evaluation of LSOG 4 – that is, it reviewed LSOG 4’s ability to handle pre-order and order requests for a range of different functions and services. KPMG Final Report at 22-24, 61-64. As discussed above, LSOG 4 is already in commercial use and handling substantial volumes of transactions. As a result, there was no need for KPMG to conduct a volume test of LSOG 4.” McLean/Wzierbicki Decl. ¶ 12.*

**WorldCom Response:** Verizon presents no evidence that any CLEC is using LSOG 4 successfully in Massachusetts, much less that CLECs are submitting a significant volume of orders over that interface. As noted above, there is an approximately 20% variance in LSOG 4 from state to state, so Verizon’s experience in New York is not sufficient to show readiness in

Massachusetts. As for KPMG's functionality evaluation of LSOG 4, that evaluation cannot substitute for a volume test and was, in any event, a less thorough test even than KPMG's test of LSOG 2. KPMG acknowledged that it did not test "as many of each scenario" in the LSOG 4 functionality test as in the LSOG 2 test and that the LSOG 2 volume test may not say anything about how well the LSOG 4 interfaces will perform at volumes. (Aug. 28 Tr. at 3155, 3232-33 (VZ-MA App. B., Tab 545).)

**21. Verizon Statement:** *"Of the 14 provisioning completion notices not received by KPMG, Verizon determined that one was for an order which Verizon had queried and was still waiting for a response from KPMG, four related to a minor system glitch that was corrected on May 25, and the remaining nine were related to two additional system glitches that were fixed on August 19, 2000."* McLean/Wzierbicki Rep. Decl. ¶ 15.

**WorldCom Response:** It was just such allegedly "minor systems glitch[es]" that led to severe problems in New York after Verizon was granted section 271 entry there. Although Verizon claims these glitches have been fixed, there is no evidence of this. When WorldCom launched service in Pennsylvania in August, it began experiencing significant problems with missing notifiers in that state and there is no reason to believe the same will not occur in Massachusetts.

**22. Verizon Statement:** *"KPMG also evaluated the timeliness of the Billing Completion Notices ("BCN"), but it measured a service order's Billing Completion Date from the completion date element returned within the BCN response rather than from the CRIS Bill Completion Date."* McLean/Wzierbicki Rep. Decl. ¶ 16.

**WorldCom Response:** The metric used by KPMG does not explain why Verizon failed to return some BCNs to KPMG at all. Moreover, if Verizon is right, and KPMG did not evaluate BCN timeliness using the correct metric, then Verizon cannot rely on KPMG to show operational readiness with respect to return of notifiers. Moreover, KPMG actually should have evaluated BCNs based on the measures developed in New York to track missing notifiers – which measure timeliness from when an order hits the Service Order Processor ("SOP"), not from when an order is completed in CRIS.

**23. Verizon Statement:** *"WorldCom is describing a small percentage of their orders for which they have not received billing completion notifiers because the billing system has not yet been updated."* McLean/Wzierbicki Rep. Decl. ¶ 44.

**WorldCom Response:** As of October 26, 2000, WorldCom was missing BCNs on 7.9% of its orders placed in August in Pennsylvania for which BCNs were past due; WorldCom was missing BCNs on 13.6% of its orders placed in September for which BCNs were past due, and WorldCom was missing BCNs on 24.5% of its orders placed between October 1 and October 15 for which BCNs were past due. Kwapniewski Rep. Decl. ¶ 7. The recent data are even worse. As of November 15, WorldCom was missing BCNs on 33.6% of its orders placed between November 1 and November 7 for which BCNs were past due. Verizon's characterization of this as a "small percentage" suggests that Verizon is not responding to the problem with the appropriate seriousness. Moreover, the problem appears to be attributable to systemic defects.

This is apparent from Verizon's acknowledgment that the BCNs are missing because the billing systems have not been updated.

**24. Verizon Statement:** *"In some cases, Verizon may reflow a provisioning completion notifier to notify the CLEC that the order has progressed through provisioning. In other cases, the order may have been cancelled and therefore will never generate a billing completion notice, or may be in jeopardy status awaiting provisioning."* McLean/Wzierbicki Rep. Decl. ¶ 44.

**WorldCom Statement:** If Verizon has already sent a provisioning completion notice ("PCN") but not a BCN, and WorldCom complains that it has not received the BCN, reflowing the PCN only confuses matters and forces WorldCom to again inform Verizon that the BCN is missing. As for the orders Verizon claims have been cancelled, Verizon should not be cancelling orders without notifying WorldCom; WorldCom did not cancel these orders. Finally, with respect to Verizon's assertion that some of these orders may be in jeopardy status, if this is so, Verizon should have transmitted jeopardy notifications on these orders. It did not do so.

**25. Verizon Statement:** *"As of October 19th, one quarter of one percent (.25%) of WorldCom's New York orders from June through September, were in the status of 'awaiting bill completion.' The majority of the orders in question have been cancelled and Verizon and WorldCom must work together to determine the appropriate disposition of these PONs."* McLean/Wzierbicki Rep. Decl. ¶ 44.

**WorldCom Response:** WorldCom does not deny that Verizon has improved its performance in New York with respect to missing notifiers. But WorldCom's point has been that in New York a serious problem with missing notifiers developed when ordering volume increased (even if that problem has now largely been corrected) and a problem with missing notifiers has also developed in Pennsylvania with modest order volumes. Verizon does not dispute this. There is no basis for confidence that a similar problem will not develop in Massachusetts.

**26. Verizon Statement:** *"[T]he majority of the incidents in WorldCom's list [of pre-order OSS outages] were related to specific back-end OSS that similarly affected retail and wholesale transactions, and many of which had no effect in Massachusetts."* McLean/Wzierbicki Rep. Decl. ¶ 21 (p.12).

**WorldCom Response:** It is true that WorldCom's list of outages is from New York but Verizon provides no reason to believe it experiences fewer outages in Massachusetts. Outages of pre-order OSS, especially during evening hours, have a greater effect on CLECs than Verizon because CLECs need to expand their customer base. Kwapniewski Rep. Decl. ¶¶ 20-21.

**27. Verizon Statement:** *"[T]he accuracy of [line loss] reports is very high."* McLean/Wzierbicki Rep. Decl. ¶ 13.

**WorldCom Response:** Verizon's declaration actually shows a decrease in the accuracy of line loss reports in September. McLean/Wzierbicki Rep. Decl. Att. B. Moreover, Verizon does not respond to WorldCom's concern regarding the presence of Ringmate lines and customers' prior lines on the report. Kwapniewski Decl. ¶¶ 148-49.

**28. Verizon Statement:** *WorldCom's claim regarding late due dates provided by Verizon's SMARTS Clock does not "relate[] to WorldCom's experience in Massachusetts. . . . As Ms. Guerard and Ms. Canny show, Verizon provides CLECs with the due date they request 94% of the time." McLean/Wzierbicki Rep. Decl. ¶ 24.*

**WorldCom Response:** The fact that Verizon may provide CLECs the due dates they request is irrelevant. The point is that CLECs are forced to request due dates that are too far out because these are the only due dates the SMARTS Clock shows are available. Kwapniewski Decl. ¶ 144.

**29. Verizon Statement:** *"Verizon's records indicate that WorldCom received its September and October bills for unbundled loops in New York in electronic format." McLean/Wzierbicki Rep. Decl. ¶ 31.*

**WorldCom Response:** WorldCom has now finally received some UNE-loop bills electronically but the bills do not contain sufficient information to allow auditing. They contain less information than the paper bills. For example, they do not provide ANIs, minutes of use or any of the information to back-up how much WorldCom owes.

**30. Verizon Statement:** *"WorldCom complains that when Verizon does send bills electronically, it has no way to verify that the bills have been sent and received, and no way to track payments. . . . WorldCom is simply wrong." McLean/Wzierbicki Rep. Decl. ¶ 32.*

**WorldCom Response:** Whatever the cause, Verizon has failed to return a number of bills to WorldCom including two UNE-P bills in September. Kwapniewski Decl. ¶¶ 169-70. Verizon also fails to track WorldCom payments it has received. Verizon ignores this second problem entirely.

**31. Verizon Statement:** *"ExpressTrak will not be implemented in Massachusetts before the end of 2001. Nevertheless, Verizon has, in fact, conducted numerous sessions with CLECs in the CLEC Change Control forum concerning ExpressTrak, has provided 'differences' documentation as related to the CLEC interfaces, has provided USOC lists to individual CLECs pursuant to proprietary agreements (as required by Telcordia) and most importantly is addressing CLEC concerns with the ExpressTrak implementation within the Billing Collaborative sessions." McLean/Wzierbicki Rep. Decl. ¶ 37.*

**WorldCom Response:** It is unfortunate that it takes a federal section 271 proceeding before Verizon informs WorldCom that ExpressTrak will not be implemented in Massachusetts until the end of 2001. This is contrary to what Verizon has indicated previously. As for Verizon's claim that it has provided documentation and USOC lists, to date that documentation and those lists have been incomplete. Moreover, Verizon has not provided a complete roll out schedule for the region or committed to providing a CLEC test period. This is so even though, for all WorldCom knows, Verizon may be implementing ExpressTrak in states other than Massachusetts very shortly. Verizon's failure to be open with CLECs betrays a failure of change management even if Verizon now postpones implementation of ExpressTrak in all states.

**32. Verizon Statement:** “[T]he pre-ordering and ordering documentation for LSOG 4 together had 19,244 attributes . . . One hundred sixty-two inconsistencies is only .8% of the attributes.” McLean/Wzierbicki Rep. Decl. ¶ 38.

**WorldCom Response:** There were likely many more than one hundred sixty-two documentation issues in Verizon’s LSOG 4 documentation. The one hundred sixty two inconsistencies are only those that KPMG found during its test of the key documentation needed for pre-ordering and ordering. WorldCom itself found additional inconsistencies in its test of LSOG 4. Kwapniewski Decl. ¶¶ 79-82. Moreover, Verizon’s attempt to play down the inconsistencies is undermined by KPMG’s finding that “a substantial portion of the documentation in the LSOG 4 Pre-order and Order Business Rules and the EDI Pre-Order and Order Guides [was] incomplete, incorrect or unclear,” and its corresponding explanation that these documentation problems would make “it very difficult to build an interface.” (Exception 4 (VZ-MA App. I, Tab 2); Aug. 28 Tr. at 3124 (VZ-MA App. B, Tab 545)). It is true that Verizon eventually corrected these identified inconsistencies, but the problem is that Verizon does not have a process that ensures it releases accurate documentation initially.

**33. Verizon Statement:** “Verizon worked closely with WorldCom and other CLECs as they conducted their testing previous to the June release. As prescribed in the CLEC New Release Testing procedures, Verizon conducted bi-weekly status calls with CLECs throughout the month-long test period. Verizon does not know what problems WorldCom experienced on its side of the interface. . . . By mid-July, WorldCom was actively using LSOG 4 for its production orders in Pennsylvania.” McLean/Wzierbicki Rep. Decl. ¶ 40.

**WorldCom Response:** In general, Verizon did work closely with WorldCom in testing the June release. The problem is that the release contained far too many errors to begin with. Verizon is well aware of the problems WorldCom experienced. WorldCom provided frequent updates on test status to Verizon including test logs, issues logs and verbal updates during status calls. Verizon does not deny the existence of any of the problems WorldCom has discussed.

Verizon is correct that WorldCom and Verizon were able to resolve most of these problems in time for WorldCom to launch service in Pennsylvania, but this was only because WorldCom did not launch service until well over a month after testing was supposed to be completed. Verizon’s errors nonetheless had a significant impact on WorldCom. Half the time that WorldCom spent testing Verizon’s interfaces in June resulted from Verizon errors. Kwapniewski Decl. ¶ 89.

**34. Verizon Statement:** “Since the consolidation [of the help desk] occurred, the help desk improved its close-out timeliness for tickets open two days or more by 50%. Prior to consolidation, 38% of tickets were open for two days or more. After consolidation, that number dropped to 18%.” McLean/Wzierbicki Rep. Decl. ¶ 41.

**WorldCom Response:** Verizon’s statement that it has reduced help desk delays belies its own claim, and that of the DTE, that Verizon was not responsible for the delays in the old help desk. As for the new help desk, even if Verizon were correct that the new help desk resolves all but 18% of critical trouble tickets in less two days, 18% remains far too high. Moreover, no one has examined the basis of Verizon’s claim. WorldCom’s own experience is that the new help desk is

performing extremely poorly in resolving trouble tickets, and Verizon does not deny any of the evidence WorldCom provides of this poor performance. Kwapniewski Decl. ¶¶ 121-23.

**Local Competition:**

**35. Verizon Statement:** *Verizon claims that cable telephony is well developed in Massachusetts and selectively quotes from a WorldCom declarant in support of this assertion. See Verizon Rep. Br. at 50-51.*

**WorldCom Response:** Verizon's competition from cable is limited by both the technical difficulties of deploying cable-based telephony and the high costs of converting a cable system into one capable of carrying two-way traffic. Less than one-half of the cable plant in the state is upgraded for telephony, AT&T serves at most 3 percent of residential customers in Massachusetts through cable, and has announced plans to separate its cable subsidiary from its telephony business. See Kelley Decl. ¶¶ 20-23.

**36. Verizon Statement:** *Verizon argues that its entry into long distance in New York has promoted local competition, that WorldCom only enters states when BOC entry is imminent, and that WorldCom only focuses on urban business customers. See Verizon Rep. Br. at 52-53 & n.75.*

**WorldCom Response:** As a for-profit business, WorldCom pursues local entry opportunities when it perceives an opportunity to earn profits for its shareholders, regardless of the characteristics of particular customers or BOC long distance entry plans. Moreover, WorldCom has been offering local service in Pennsylvania since August of this year, even though Verizon is not expect to file a section 271 application in the state until next year, at the earliest. In addition, WorldCom offered local service in New York a year before Verizon received section 271 authority in that state, and plans to enter in Illinois and Michigan without regard to the BOC's timing of its section 271 applications in those states. Conversely, WorldCom has not been actively marketing its local service in areas of New York and Texas -- states where the BOC has already received section 271 authorization -- where it cannot make a profit. Finally, it should come as no surprise that the conditions for competitive local entry by WorldCom and other CLECs are more favorable in states where an BOC is making a concerted effort to obtain section 271 approval, since the BOC must improve competitive conditions to satisfy the checklist and show that entry is in the public interest.

**37. Verizon Statement:** *Verizon argues that the existence of new long distance plans introduced by Verizon's competitors since the TRAC study of New York telephone competition was performed in June 2000 shows that "customers are saving even more in New York than TRAC initially estimated." Verizon Rep. Br. at 59.*

**WorldCom Response:** Verizon is mistaken; the TRAC study based its savings estimates entirely on customers who switch to Verizon. See Breen Decl., att. A, pp.1-2. If competitors are offering lower priced plans than analyzed in the study, fewer customers would switch to Verizon, and customers who do switch to Verizon would have reduced savings, thus reducing the TRAC study estimate. Of course, as long distance prices decline generally (which they have over recent

years), customers will save money, but those savings do not stem from Verizon's entry into long distance.

**38. Verizon Statement:** *Verizon claims that its "Timeless" flat rate plan of 10 cents/minute is more advantageous for "low-volume users" than WorldCom's "9 Cents Anytime" plan. See Verizon Rep. Br. at 60.*

**WorldCom Response:** As shown by Verizon's own data, the 9 Cents Anytime plan is preferable for consumers who make more than 50 minutes of long distance calls each month. See Breen Rep. Decl., att. A., figure 1. Verizon's argument turns on the definition of "low-volume user." According to the Commission, the average monthly minutes of use for residential interLATA toll calling for 1998 (the most recent available data) was 97 minutes per month. See FCC, Trends in Telephone Service, table 16.2 (Mar. 2000). If "low-volume users" are those who have lower than average minutes of use each month, WorldCom's 9 Cents Anytime plan is clearly preferable for those low-volume users making more than 50 minutes of calls each month. Obviously, any plan that has a fixed monthly minimum will be less advantageous for customers who make few or no calls in a month than a plan that has no monthly minimum. But given that there are fixed costs of providing long distance service (e.g., billing), charging a flat rate is not necessarily the most economically efficient method of serving customers. See, e.g., In the Matter of Access Charge Reform, 14 FCCR 14,221, ¶ 208 (rel. Aug. 27, 1999) (recovering non-traffic-sensitive costs through traffic-sensitive charges results in a subsidy from high-volume users to low-volume users). In addition, status as a "low-volume user" is not an immutable category, and households making fewer calls during some months may make more calls during other months.

**39. Verizon Statement:** *Verizon claims that WorldCom's bundled local and long distance packages show that consumers benefit from adding more competitors to the long distance market. See Verizon Rep. Br. at 60-61.*

**WorldCom Response:** The consumer benefits described by Verizon come from new competitors such as WorldCom entering the previously uncompetitive local market and offering hitherto unavailable combinations of local and long distance services. On the other hand, the marginal benefits of adding one more competitor to the long distance market are questionable, and consumers will not benefit if Verizon obtains a monopoly on providing a bundled service.

**40. Verizon Statement:** *Verizon complains that WorldCom provides no evidence that Verizon will have incentives to discriminate if permitted to enter the long distance market. See Verizon Rep. Br. at 61.*

**WorldCom Response:** WorldCom provided ample un rebutted evidence of the continuing ability and motivation of BOCs to discriminate after long distance entry. See, e.g., Kelley Decl., ¶¶ 40-52.

WorldCom, Inc.  
November 24, 2000

# Attachment

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**November 16, 2000**

**By Facsimile**

**Mark D. Schneider  
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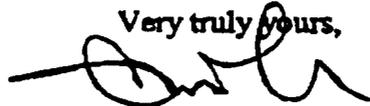
**Re: Verizon Massachusetts Section 271 Application**

**Dear Mr. Schneider:**

To confirm our conversation yesterday, you indicated that WorldCom has withdrawn its request for an electronic version of the linkcost.xls spreadsheet contained in Appendix H, Tab 198 of Verizon's production since Verizon has already produced it. See Ex parte letter from D. May to M. Salas, CC Docket No. 00-176 (Nov. 9, 2000).

You also indicated that WorldCom would not obtain from AT&T the "closely analogous spreadsheets that Verizon made available in the New York section 271 proceeding" as you proposed in your letter. By way of reminder, such spreadsheets are subject to the protective order issued in the New York proceeding and, under the express terms of that protective order, cannot be used in any other proceeding including the Massachusetts proceeding. Your initial request was written as a negative option under which AT&T would disclose, and AT&T and WorldCom would use, confidential materials from the New York proceeding absent a response affirmatively objecting to its use. Such an approach would have violated the protective order, which cannot be changed unilaterally by a negative option letter.

Very truly yours,



**Evan Leo**

**cc: David Levy (Counsel for AT&T)**