Verizon Communications
1300 I Street NW, Suite 400W
Washington, DC 20005

September 4, 2001

Ex Parte

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., S.W. – Portals
Washington, DC 20554

RE: Application by Verizon New York Inc. for Authorization To Provide In-Region, InterLATA Services in State of Pennsylvania, Docket No. 01-138

Dear Ms. Salas:

D. Evans, M. Glover, K. Zacharia and I met today with P. Margie of Commissioner Copps' office to discuss various issues in the above application. The handouts used in the meeting are enclosed. Please let me know if you have any questions. The twenty-page limit does not apply as set forth in DA 01-1486.

Sincerely,

Clint E. Odom

Enclosure

cc: P. Margie
R. Tanner
S. Pie

BILLING

1. The Commission's framework for determining whether a BOC provides CLECs with nondiscriminatory access to its billing functions involves a two-part inquiry:

   i) Usage information that the CLEC can use, together with information in its own records concerning the products and services it sold to the end user and at what price, to bill its end user – Verizon must provide complete and accurate reports on service usage to the CLEC in substantially the same time and manner that it provides such information to itself.

   ii) Wholesale bills that Verizon renders to the CLEC for the products and services Verizon has sold to the CLEC. This is the bill that Verizon uses to get paid by the CLEC; it is not intended to be used by CLECs for them to bill their end users – Verizon must provide such bills in a manner that gives competing carriers a meaningful opportunity to compete.

2. The issue in this case is quite narrow – electronic bills in the BOS BDT format.

   i) There is no real issue with the information Verizon provides to CLECs to allow them to bill their end users (DUF).

   ii) There also is no real issue with the "end-user" formatted bill available to CLECs on paper or on CD-ROM. These bills were tested by KPMG who rated Verizon "Satisfied" on all test points associated with billing. These bills are the only bills received by approximately 70% of CLECs.

   iii) The primary issue with respect to the wholesale bill concerns the electronic carrier bills that Verizon provides to CLECs in the Billing Output Specification ("BOS") Bill Data Tape ("BDT") format, which is used by approximately 30% of the CLECs, most of whom receive it in addition to the "end user" formatted paper bill.

3. Verizon rolled out the electronic BOS BDT bill over time, has addressed issues that have been identified, and has in place a commercially viable electronic bill in BOS BDT format:

   i) Verizon has tracked issues with the BOS BDT bill since its introduction in January 2000 and, in conjunction with discussions with CLECs, implemented systems fixes and updates over several months to address issues that CLECs have raised.

      - Through its own analysis and working with CLECs, Verizon developed a log of 66 issues, which was shared with CLECs at the April 5 Bell Atlantic Users Group meeting. Verizon updated the log throughout May and June, adding 15 additional issues raised

by CLECs and updating the status as issues were resolved. "Issues" ranged from requests for retransmission, to interpretation of industry guidelines, to software issues. All 81 issues have now been resolved.

ii) In April 2001, Verizon implemented a manual review and balancing process for the BOS BDT bill, to ensure that the bill balances internally and matches the paper "end user" formatted bill.

iii) With these systems and process improvements to the BOS BDT bill in place, on May 22, 2001, Verizon offered CLECs the opportunity to select the BOS BDT as their bill of record; five CLECs have done so for at least one account.

iv) The manual adjustment process that Verizon implemented now affects <u>less than one percent</u> of the total amount billed, and Verizon is working to eliminate even those minor issues.

4. Verizon's wholesale bills (both paper and BOS BDT) have been thoroughly tested by independent third parties.

i) KPMG tested Verizon's paper bill over an 18-month period. KPMG issued 67 observations and exceptions related to billing. Consistent with the "military-style" nature of that test, Verizon responded to issues that KPMG raised and implemented the necessary systems fixes. KPMG retested the enhanced systems and found that Verizon satisfied all aspects of the test.

ii) Verizon also engaged PwC to conduct a review of actual CLEC BOS BDT bills to an attestation standard. PwC used an off-the-shelf computer database program (Microsoft Access), to load, read, and analyze these bills. PwC determined that the BOS BDT bills matched the paper bills; contained as much, or more, detail than the paper bills; were internally consistent; and could be recalculated by a third party. PwC also verified the number of BOS BDT files Verizon sent to CLECs (including the manual review process) from June 1 – June 15. That number (84) extrapolated to a full month is more than sufficient to meet foreseeable levels of CLEC demand for BOS BDT bills.

5. To the extent that CLECs complain about continued inaccuracies on their bills, the amounts at issue are tiny and not competitively significant.

i) For example, the amount of incorrect taxes on bills – which was never very high to begin with – was almost nonexistent in May and June 2001 at less than 0.05 percent and 0.007 percent of Z-Tel's and WorldCom's respective total bills.

ii) By May 2001, the amount of interexchange carrier charges and Directory Assistance charges incorrectly appearing on UNE platform bills was reduced to less than 0.1 percent. Verizon has implemented additional functionality to prevent even these limited charges from appearing on CLECs' bills.

iii) Verizon has implemented system fixes to prevent new occurrences of resale usage on platform bills, and is in the process of correcting existing accounts. As Verizon finds these charges during its manual review of the BOS BDT bills, it places them under investigation and sends a letter to the CLEC informing it that it is not required to pay these charges from their BOS BDT bills while we investigate them. Therefore, there is no harm to CLECs.

6. Established procedures are in place that allow CLECs to dispute billed amounts prior to payment and to receive credits for bills with errors.

i) Verizon has not required CLECs (or Verizon's retail customers) to pay a disputed amount until the dispute is settled with a determination that money is owed to Verizon.

ii) CLECs may initiate a billing dispute at any time before or after paying their bills; indeed, one CLEC recently submitted a claim on a bill paid two years ago.

iii) CLECs have their own records of what they have purchased from Verizon against which they validate the bills they receive.

iv) When a billing issue is resolved in a CLEC's favor, Verizon issues credits for *all* bills and *all* CLECs affected by that issue.

7. The remaining billing issues do not have a significant impact on competition. Competition in Pennsylvania is extensive and growing: Competitors in Pennsylvania serve approximately 1.1 million lines and are adding an average of more than 45,000 new lines each month.

i) The Pennsylvania PUC, in its Reply Comments, noted that it was "confident that Verizon has satisfactorily responded to and fixed the problems."

ii) The remaining billing issues are not preventing CLECs from winning customers, from serving their customers, or from billing their customers to get paid.

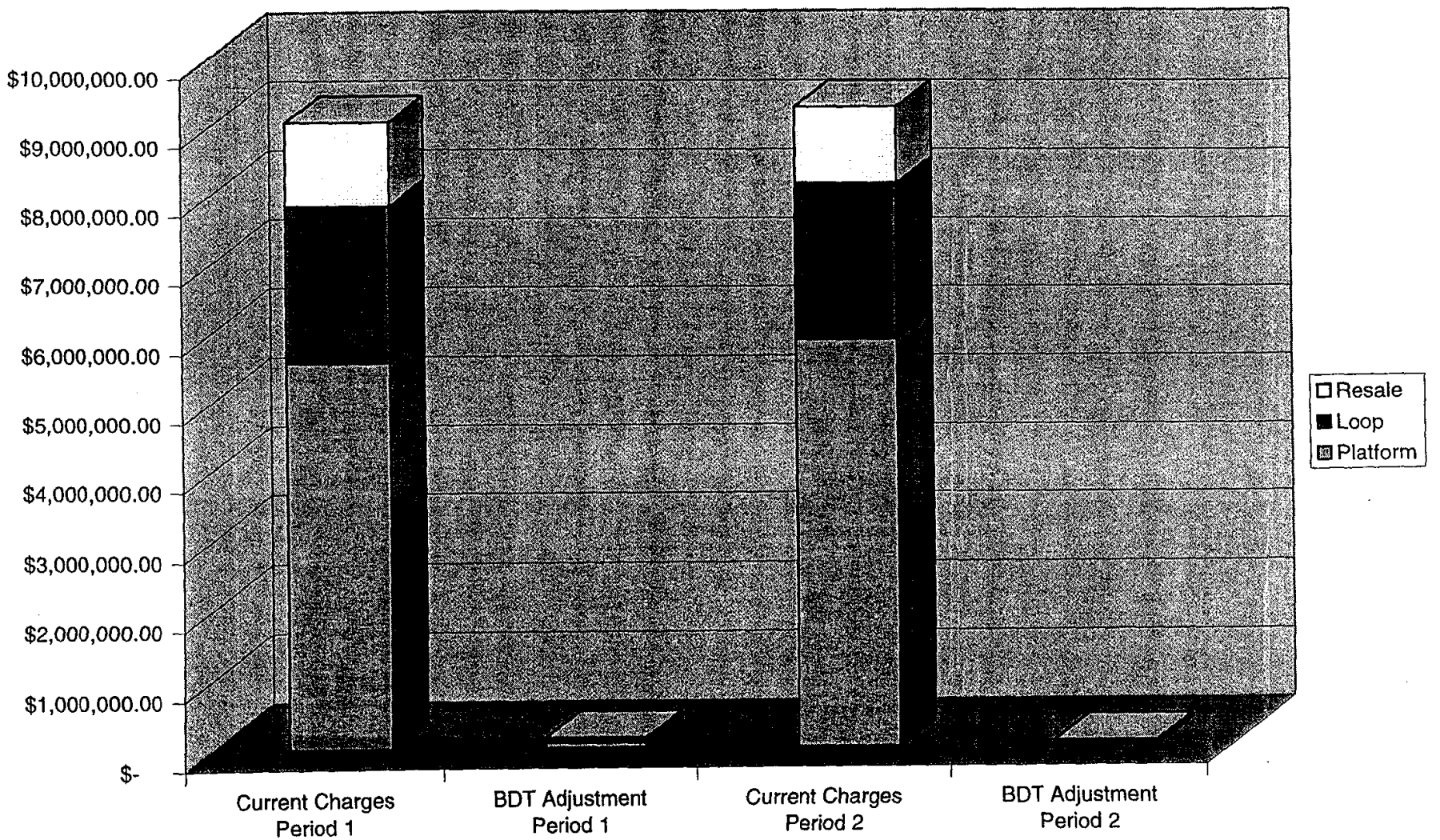
iii) Verizon's performance will remain good and will continue to improve:

- Verizon has an interest in making sure it can get paid in a timely manner and in limiting the number of billing disputes.

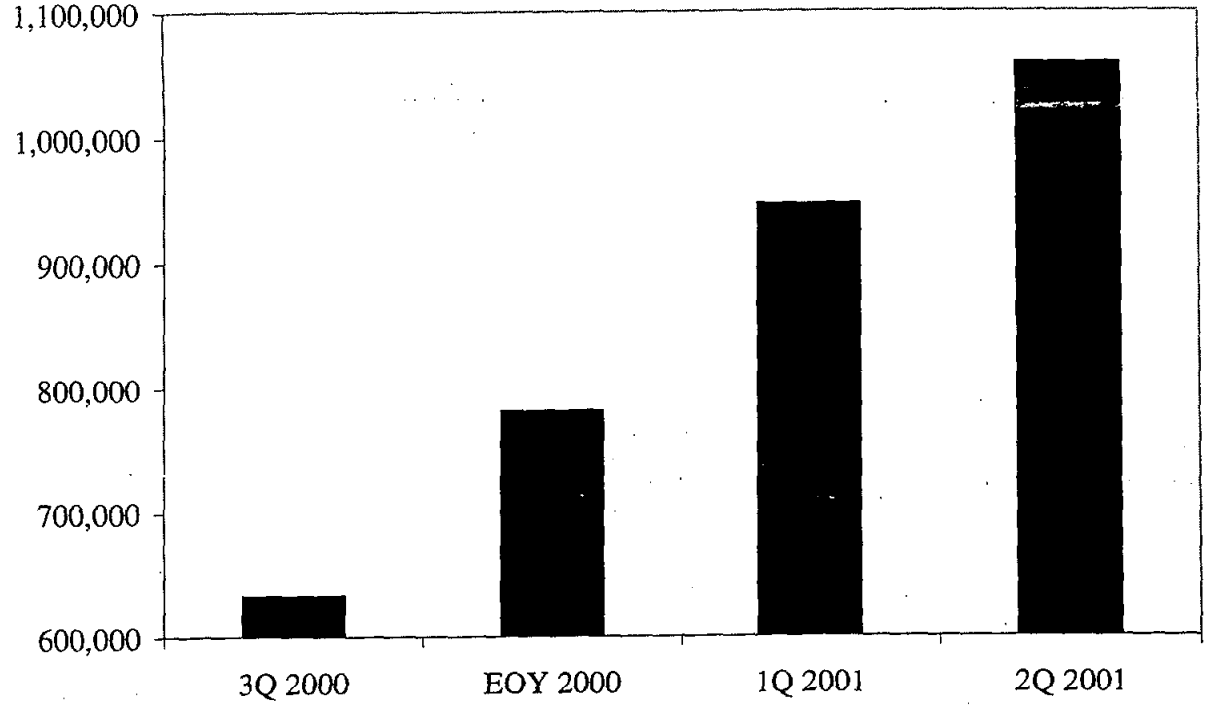
- New performance measures have been adopted that are specific to the electronic bills and that use the same business rules that are in place in New York, Massachusetts, and Connecticut.

- The PUC has established remedy payments specific to those new performance measurements that greatly exceed those in place for the paper bill and provide "strong incentives" for Verizon to continue to devote substantial resources to provide timely and accurate electronic bills to CLECs.

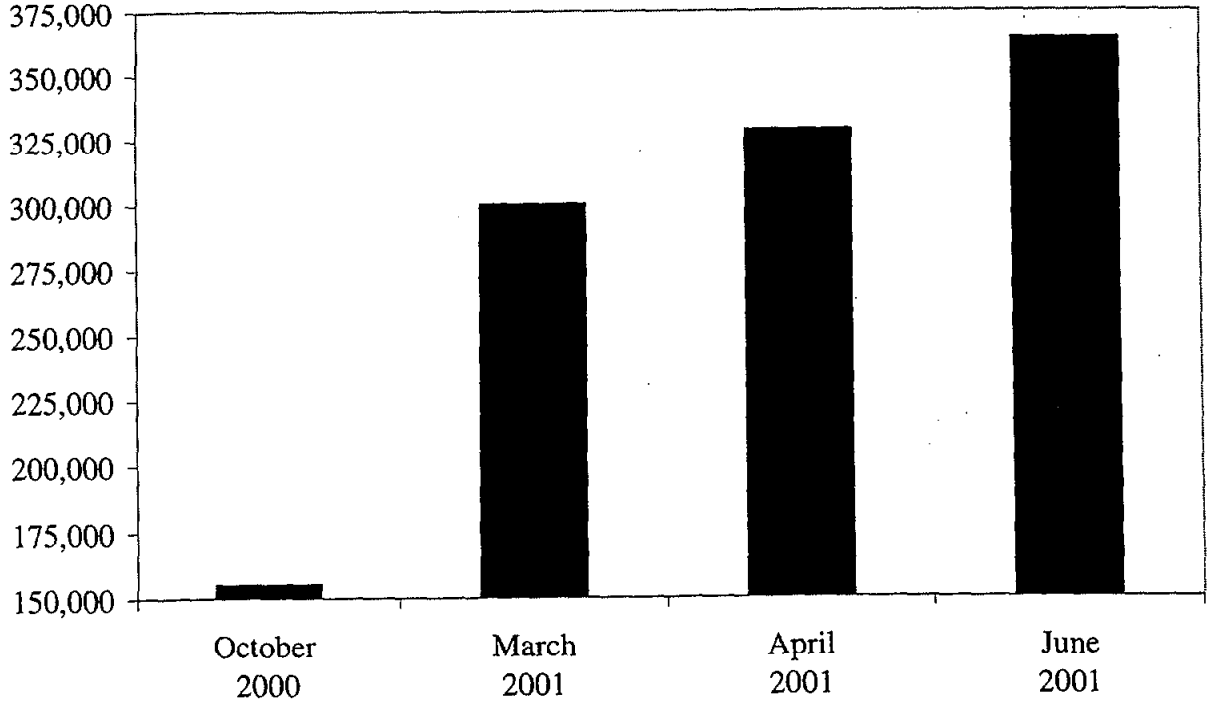
PA BOS BDT Record Adjustments - Comparison Period 1 to Period 2



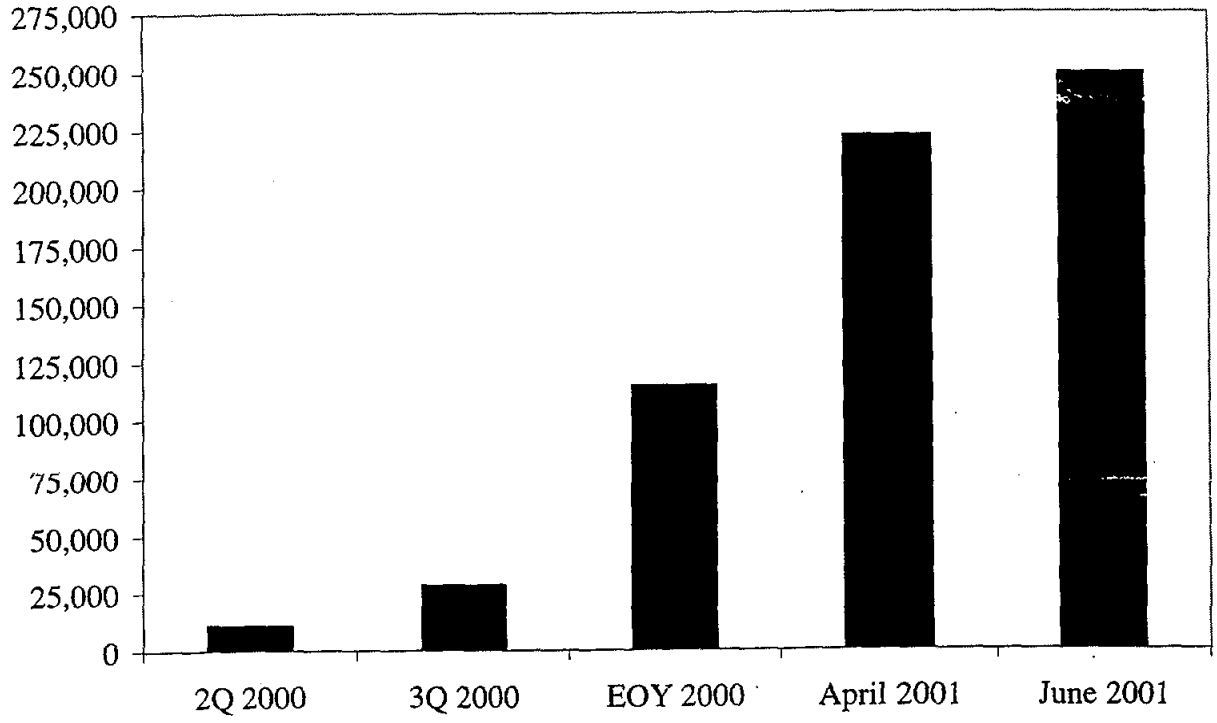
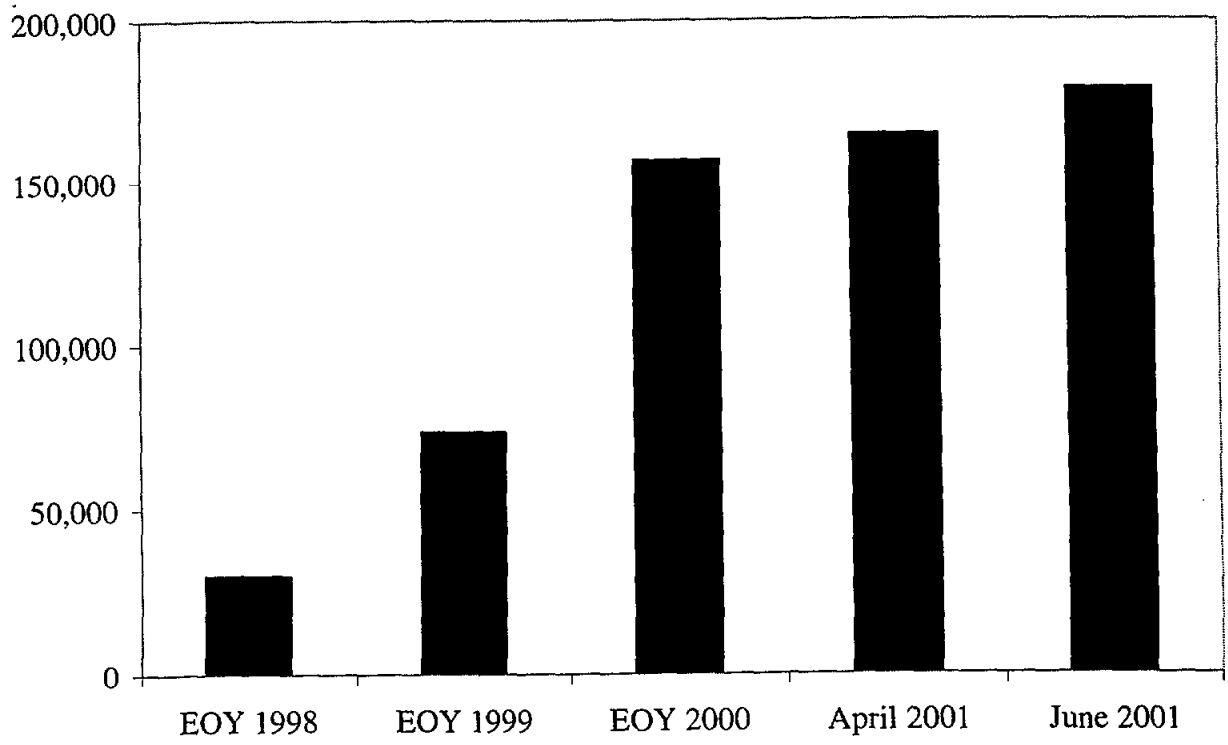
Total Competitive Lines



Total Competitive Residential Lines



CLEC UNE-Platforms



CLEC Unbundled Loops