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September 14, 2001
RECEIVED

SEP 14 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 Twelfth Street, SW - Room TWB-204
Washington, DC 20554

Re: Ex Parte - CC Docket No. 01-138
Application by Verizon Pennsylvania Inc., Verizon Long Distance, Verizon Enterprise Solutions, Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization To Provide In-Region, InterLATA Services in Pennsylvania

Dear Ms. Salas:

I am writing to respond to certain questions that were raised in my meeting on September 10, 2001 with Commissioner Michael Copps concerning Verizon's failure to provide adequate and sufficient electronic wholesale bills. Specifically, AT&T was requested to provide a chronology of electronic wholesale billing problems that it has experienced in Pennsylvania. During my meeting on September 12, 2001 with Commissioner Kathy Abernathy, a similar request was made of AT&T, particularly focusing on whether Verizon's electronic billing problems existed as of June 19th, the date it filed its Section 271 application with the Commission.

The attached chronology of Verizon's electronic billing problems demonstrates that Verizon failed to make a commercially viable, nondiscriminatory electronic wholesale bill available to competitors from at least 1999 until well past June 19, 2001.

The billing systems that Verizon uses in Pennsylvania are wholly different from the billing systems that it uses to prepare and provide electronic wholesale bills in New York, Massachusetts, and Connecticut. Indeed, the present application constitutes the first time that the Commission has been called upon to scrutinize those systems in the context of determining whether Verizon has met the nondiscrimination obligations of Sections 251 and 271 of the Telecommunications Act of 1996.

In its Order approving Verizon's interLATA entry in Massachusetts, the Commission declared, "[A] BOC must provide competing carriers with complete and accurate reports on the service usage of competing carriers' customers in substantially the same time and manner

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that it provides such information to itself, and wholesale bills in a manner that gives competing carriers a meaningful opportunity to compete.” *Verizon Massachusetts Order* at ¶97. Competitors’ actual experience, as detailed in the Comments they have submitted in this proceeding, prove that Verizon has not met this standard in Pennsylvania, and most certainly did not do so as of the date it filed the instant application. Because of improper formatting, incomplete or missing information and improper calculation of charges, Verizon’s electronic bills have either been completely unusable and/or contained unverifiable charges.

There is no question that CLECs are denied a meaningful opportunity to compete when they are denied the ability to analyze billing data in a timely manner – a task that can only be accomplished through delivery of an electronic or mechanized UNE-P wholesale bill. CLECs simply cannot manage their businesses if they cannot promptly and efficiently determine whether their wholesale charges are accurate and complete.

Verizon’s paper bills also contained numerous discrepancies and errors, both before and at the time that it filed its pending application. Indeed, on August 17, 2001 – eleven days after reply comments were filed on the application – Verizon submitted updated performance measurement results for its billing metrics for the period from February through June 2001, a period in which it was essentially providing only paper bills. Verizon’s *own* data showed that the accuracy level of its wholesale carrier bills were *not* the 99.8 to 100% that it had previously reported (compared to the 99.47 to 99.8% for its own retail billing). Rather, its restated data showed that its billing inaccuracy for CLECs was as much as 9% or more, with its *worst* performance for the month of June. Moreover, the restated “z-scores” applicable to the billing accuracy measure for this period show that Verizon’s performance was irrefutably discriminatory in 4 of the 5 months, again with the worst performance in June.

Obviously, this new information was not available to or considered by the Pennsylvania Commission when it prepared and submitted its Consultative Report. These newly reported data clearly show that Verizon provided CLECs with discriminatory billing both before and after it submitted its pending application. (A copy of Verizon’s August 17, 2001 submission to the Pennsylvania Commission is attached for your reference, as is a copy of Verizon’s August 6, 2001 letter alerting the PaPUC of its misstated performance results).

Although Verizon’s September 10 *ex parte* letter attempts to dismiss the restated billing metrics results by claiming that the measure itself is “flawed,” Verizon fails to state that BI-3 is one of the billing metrics that the PaPUC directed to be updated so as to expand the applicability of the metric to electronic bills, in addition to paper bills, effective as of July 1, 2001. *See June 6, 2001 Secretarial Letter from the PaPUC to Verizon Pennsylvania Inc.*, M-00001435 at 4. In fact, the PaPUC’s directive was one of the conditions that Verizon was required to accept in order to obtain a favorable recommendation on its Section 271 application. Obviously, the PaPUC did not find any so-called flaws in the metric, nor, in agreeing to the PUC’s condition, did Verizon raise any of the concerns that it is now asserting in its recent *ex parte* submission. Nor did Verizon “flaw metric” claim that the metric is flawed when it submitting the corrected metrics data to the PaPUC. And critically, Verizon failed to acknowledge that its performance was undeniably discriminatory in 4 of the 5 restated months. Moreover, it also failed to offer any restatement of its performance that would align its admitted billing errors with the months

for which its bills were issued. Indeed, realigning errors throughout this period would only have made the discrimination in the prior periods worse, with no proof that its June performance was acceptable.

In order for Verizon to comply with its Section 271 obligations, it must at least show that it met its Section 251 statutory nondiscrimination obligations for, *inter alia*, the operations support systems unbundled network element -- which includes billing -- *as of* June 19, 2001, the date that it submitted its application and based on the information contained in that filing. Its recent restatement of its performance for the February through June period clearly shows that it has failed to meet that burden.

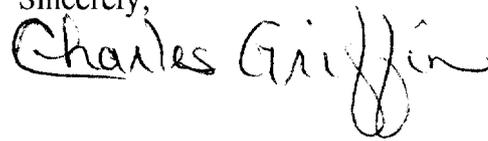
Moreover, under the “complete when filed” rule, Verizon is prohibited from submitting supplemental evidence for later periods in an attempt to buttress its application. Consequently, any additional evidence or information that Verizon has submitted for the post-application period in an effort to substantiate the performance of its billing operations support systems should be disregarded.

As AT&T explained in its Reply Comments at pages 29-32, as recently as July of 2001, the Commission firmly reiterated that Section 271 applicants are “expect[ed] . . . to make every effort to ensure that Section 271 applications are complete when filed.” *Connecticut 271 Order* ¶ 38. Critically, the Commission further stated that “it will be rare for future applicants to satisfy the high bar for waiver of these procedural requirements,” whose purpose is to “maintain a fair and orderly process for consideration of Section 271 applications.” *Id.*; *see also Michigan 271 Order* ¶ 52.

In fact, the electronic billing issue here is a paradigmatic case for application of the complete-when-filed rule. Deficiencies in electronic billing systems cannot be fixed simply through the flick of a switch, the stroke of a pen, or change in a Verizon “policy.” Rather, they must be accomplished through fundamental changes in Verizon’s systems. And even when those changes have been made, their effectiveness can only be determined through actual commercial experience, combined with evaluation of commercial usage data that Verizon’s own witness conceded should encompass “several cycles.” The complete-when-filed rule was established to ensure that such evidence would be included in the BOC’s application, not any reply comments or post-application submissions that effectively supplement the BOC’s application.

Indeed, it was precisely because Ameritech attempted to supplement its original application by referencing various remedial measures to its OSS and new commitments it purportedly made after filing its application that the Commission found it necessary to clarify and apply the complete-when-filed rule. *Michigan 271 Order* ¶¶ 49-59. Applying that rule, the Commission held that it would “not consider any new commitments made by Ameritech *or remedial measures taken by Ameritech after . . . the date Ameritech filed its application*, in evaluating whether Ameritech has demonstrated it provides nondiscriminatory access to its OSS.” *Id.* ¶ 154 (emphasis added). The same result should obtain here.

In accordance with Section 1.1206(a)(1) of the Commission's rules, two copies of this Notice are being submitted to the Secretary of the Commission for inclusion in the public record for the above-captioned proceeding. The twenty-page limit does not apply here, as set forth in DA 01-1486.

Sincerely,


Attachments

cc: M. Copps
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M. Powell
K. Martin
P. Margie
M. Brill
K. Dixon
M. Desai
D. Attwood
R. Tanner
B. Olson
M. Carey

**Timeline for Significant Events
Concerning Verizon Pennsylvania Inc.'s
Electronic Billing**

- Spring 1999 Verizon announced CABS BOS BDT billing was available to wholesale customers in Pennsylvania. (Fawzi/Kirchberger July 11, 2001 Aff., ¶¶65-66).
- November 1999 AT&T established a wholesale account with Verizon in Pennsylvania, and requested bills for UNE-P accounts in the CABS BOS BDT format. (Fawzi/Kirchberger July 11, 2001 Aff., ¶¶65-66).
- December 1999 Despite its prior announcement, Verizon was unable to provide electronic bills for UNE-P accounts. From this time through July 2001 (i.e. after Verizon filed its 271 application), AT&T was billed through use of a paper bill. (Fawzi/Kirchberger July 11, 2001 Aff., ¶¶65-66).
- January/October 2000 Verizon offers to test an electronic bill. Reviews determined that the test bill was riddled with errors. (Fawzi/Kirchberger July 11, 2001 Aff., ¶¶65-66, 71-72).
- January 2001 Verizon provided new test bills for wholesale services in mechanized format. Review of the bills again found numerous systemic errors. (Fawzi/Kirchberger July 11, 2001 Aff., ¶¶71-72).
- February/March 2001 Verizon submitted new test bills that purported to correct previously identified errors. Review of the bills, however, revealed many of the same flaws that rendered prior bills commercially unacceptable. (Fawzi/Kirchberger July 11, 2001 Aff., ¶72).
- March 7, 2001 At the PaPUC technical conference, Verizon's billing expert Mr. Geller acknowledged Verizon's problems in producing a commercially viable electronic wholesale bill. (March 7, 2001 Technical Conf., PaPUC Docket No. M-0001435, Tr. at 74-77).

- April 26, 2001
- In *en banc* hearings before PaPUC commissioners, Verizon billing expert Geller testified under oath that, of 66 problems CLECs identified in the most recent electronic bill, no less than 25 still remained unresolved as of the date of the hearing, and that Verizon's electronic bill still was not suitable to be deemed a "bill of record" by CLECs. Witness Geller further identified system changes that were scheduled to take place in mid-June, and testified that the electronic bill would only be in a position to be designated as the "bill of record" at least several "billing cycles" – i.e., months – after those changes had been successfully implemented. (April 26, 2001 En Banc Hearing, PaPUC Docket No. M-00001435, Tr. at 106-07, 146).
- May 7, 2001
- Just 11 days after Verizon witness Geller's sworn testimony to the PaPUC, and prior to implementation of scheduled system corrections, Verizon announces that CLECs had the option to have the electronic bill declared "bill of record." (Fawzi/Kirchberger July 11, 2001 Aff., ¶¶78).
- June 19, 2001
- Verizon filed Section 271 application with FCC
- Verizon's OSS affidavit filed with the application identified for the first time that system modifications for electronic billing were not even scheduled to be implemented until July and August 2001. (McLean/Wierzbicki/Webster Decl., ¶152).
- July 11, 2001
- AT&T and other CLECs submitted comments regarding the instant application, identifying numerous on-going problems with electronic and paper bills received from Verizon after the date of the application. (See, e.g., (Fawzi/Kirchberger July 11, 2001 Aff., ¶¶92-95).
- Verizon letter to Z-Tel conceded that Z-Tel's electronic bills erroneously included retail charges, and that this problem would not be fixed until as late as August. (Rubino Decl., ¶¶5-9).

August 17, 2001

Verizon submitted corrected performance report to PaPUC for several months, including June 2001 billing metrics, in accordance with their letter of August 6th. That data, which included at least one bill transmitted to AT&T after Verizon's application to the FCC, showed a significant – and discriminatory -- disparity between Verizon's retail billing performance and the paper billing provided to CLECs. (A copy of this document is attached, as is a copy of Verizon's August 6th letter alerting the PaPUC of its misstated performance results.).

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August 17, 2001

VIA UPS OVERNIGHT EXPRESS MAIL

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Performance Metrics And Remedies, Docket No. P-00991643

Dear Secretary McNulty:

Per my letter dated August 6, 2001, attached please find a recalculation of metrics BI-3 and BI-8 for the months of February, March, April, May and June 2001.

Please contact me if you have any questions about this matter.

Very truly yours,

Julia A. Conover/slb
Julia A. Conover

JAC/slb

cc: Via UPS Overnight Express Mail
Robert Rosenthal
Maryanne Martin, Esq.
Attached Service List

CERTIFICATE OF SERVICE

I, Julia A. Conover, Esq., hereby certify that I have this day served a true copy of Verizon Pennsylvania Inc.'s letter to the Pennsylvania Public Utility Commission in Docket No. P-00991643, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 17th day of August, 2001.

VIA OVERNIGHT EXPRESS MAIL

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PA Billing Analysis

Recalculated Metrics with Exclusions

BI-3-01 Billing Accuracy - As Filed

	Actual Performance		Number of Observations			
	VZ	CLEC	VZ	All CLECs	Sampling Error	Z-Score
February-01	0.20	0.02	31533368.80	12794448.39	0.00	141.28
March-01	0.34	0.00	313655771.38	13723909.48	0.00	211.80
April-01	0.26	0.01	313720280.55	16033615.34	0.00	191.74
May-01	0.53	0.01	302432459.99	16201277.00	0.00	280.84
June-01	0.28	0.00	309946060.31	17457134.82	0.00	207.56

BI-3-01 Billing Accuracy - Recalculated with Exclusions

	Actual Performance		Number of Observations			
	VZ	CLEC	VZ	All CLECs	Sampling Error	Z-Score
February-01	0.20	9.01	31533368.80	12,784,446.39	0.00	-6914.84
March-01	0.34	0.24	313655771.38	13,723,909.48	0.00	82.29
April-01	0.26	2.60	313720280.55	16,033,615.34	0.00	-1784.88
May-01	0.53	3.06	302432459.99	16,201,277.00	0.00	-1388.41
June-01	0.28	9.31	309946060.31	17,457,134.82	0.00	-7224.82

BI-8-01 Non-Recurring Charge Completeness - As Filed

	Actual Performance		Number of Observations			
	VZ	CLEC	VZ	All CLECs	Sampling Error	Z-Score
February-01	97.76	100.09	8471202.87	189845.86		
March-01	96.40	99.30	8270908.75	959717.16		
April-01	97.21	99.76	7582658.54	1684764.44		
May-01	99.38	99.60	14644002.40	1750134.58		
June-01	98.23	99.93	7443280.76	3336825.02		

BI-8-01 Non-Recurring Charge Completeness -Including PCD - Recalculated with Exclusions

	Actual Performance		Number of Observations			
	VZ	CLEC	VZ	All CLECs	Sampling Error	Z-Score
February-01	97.76	100.01	8471202.87	2,177,291.00		
March-01	96.40	99.32	8270908.75	993,579.18		
April-01	97.21	99.87	7582658.54	12098524.85		
May-01	99.38	99.42	14644002.40	1198425.58		
June-01	98.23	99.80	7443280.76	107081.80		

BI-8-02 Non-Recurring Charge Completeness - Excluding PCD- as filed

	Actual Performance		Number of Observations			
	VZ	CLEC	VZ	All CLECs	Sampling Error	Z-Score
February-01	UR	UR				
March-01	UR	UR				
April-01	99.04	99.96	8,302,804.00	1,514,210.00	0.01	104.25
May-01	99.73	99.89	13,715,489.97	1,607,006.10	0.00	38.98
June-01	99.47	99.97	6,191,083.36	3,220,003.80	0.00	100.23

BI-8-02 Non-Recurring Charge Completeness - Excluding PCD- Recalculated with Exclusions

	Actual Performance		Number of Observations			
	VZ	CLEC	VZ	All CLECs	Sampling Error	Z-Score
February-01	UR	UR				
March-01	UR	UR				
April-01	99.04	99.94	8,302,804.00	1,038,970.00	0.01	97.17
May-01	99.73	99.83	13,715,489.97	1,053,287.00	0.01	19.06
June-01	99.47	99.90	6,191,083.36	958,240.00	0.01	53.95

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August 6, 2001

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
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Re: Performance Metrics And Remedies, Docket No. P-00991643

Dear Secretary McNulty:

Verizon Pennsylvania, Inc. ("Verizon PA") would like to inform the Commission of two errors it has discovered in Carrier to Carrier Reports previously filed with this Commission.

First, we discovered that a credit Verizon issued to Z-Tel in February 2001 for claims in 2000 was not included in the proper metric for the February data month Carrier to Carrier report. When the credit was issued, it was recorded on an input screen that would allow for display of an explanation of the adjustment on the bill when the bill was produced, rather than on the screen normally used for credits. As a result, the system sent the data to the metrics repository as a non-recurring charge. Non-recurring charges are used in the calculation of metric BI-8, and the credit was included there. (BI-8 is calculated on a "net" basis, so the credit is not readily observable). Verizon has discovered that certain other credits containing explanations were also recorded in the same manner and also routed to metric BI-8. Verizon has now taken steps to ensure that credits with explanations will be shown in the metrics under BI-3, and will be providing the

Julia A. Conover
August 6, 2001

Commission and Z-Tel (and any other affected CLECs) with the corrected metric information as soon as it has been recalculated.

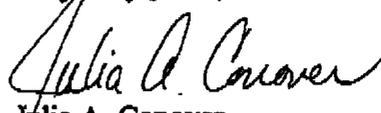
Second, during our investigation of Covad's claims in the 271 proceeding before the FCC, we discovered a Verizon system programming error that caused some standard interval orders to be excluded from the calculation of Verizon's DSL and line sharing measures. The affected orders were those orders that Verizon received after 5:00 p.m. The programming error treated these orders as having been received that day, rather than the following day. As a result, these orders were treated as having requested an interval one day longer than the standard interval, when in fact they had requested the standard interval. These orders were therefore excluded from the calculation of Verizon's performance under the interval measures. Additionally, we found that less than one percent of VADI line sharing orders were improperly counted as CLEC line sharing orders for the line sharing interval measures in the months of May and June. This error impacted only May and June performance because in May, Verizon adopted a new method to track line sharing performance, and the counting error was associated with migrating to that new method.

Verizon has recalculated its performance under the interval measures by including the orders that had been improperly excluded. That recalculation is attached hereto. In the majority of cases, Verizon's performance is comparable to or better than the performance that had been reported previously.

For example, in May, Verizon's recalculated performance for DSL under PR-2-02 is 5.81 days, rather than 5.82 days as previously reported on the Carrier-to-Carrier report. The number of observations, however, increased from 359 to 511. However, in some cases, where the number of observations was small, there was some change in the performance results.

These issues will also be included in the issues matrix that Verizon PA submits with its monthly Carrier To Carrier Reports. Please contact me if you have any questions about either of these matters.

Very truly yours,



Julia A. Conover

Cc: Bob Rosenthal
Maryanne Martin, Esq.
Attached Service List

CERTIFICATE OF SERVICE

I, Julia A. Conover, Esq., hereby certify that I have this day served a true copy of Verizon Pennsylvania Inc.'s letter to the Pennsylvania Public Utility Commission in Docket No. Docket No. P-00991643, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 6th day of August, 2001.

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Recalculation of Specific Performance Standards
 Pennsylvania - January through June 2001

Complex Services - 2 Wire xDSL Line Sharing

PR 1-01-3343

Month	Category	Count	Rate
Jan	VADI		2.72
	CLEC	39	2.92
Feb	VADI		2.49
	CLEC	83	2.80
Mar	VADI		3.01
	CLEC	43	4.72
Apr	VADI		3.83
	CLEC	38	3.14
May	VADI		3.02
	CLEC	81	3.11
Jun	VADI		3.07
	CLEC	125	4.55

Complex Services - 2 Wire xDSL Loops

PR 1-02-3342

Month	Category	Count	Rate
Jan	VZ		
	CLEC	639	5.58
Feb	VZ		
	CLEC	483	5.81
Mar	VZ		
	CLEC	508	6.02
Apr	VZ		
	CLEC	840	5.85
May	VZ		
	CLEC	633	6.13
Jun	VZ		
	CLEC	440	8.04

PR 2-01-3343

Month	Category	Count	Rate
Jan	VADI		3.54
	CLEC	28	7.81
Feb	VADI		3.16
	CLEC	75	4.18
Mar	VADI		2.92
	CLEC	31	8.65
Apr	VADI		2.25
	CLEC	26	4.19
May	VADI		2.90
	CLEC	63	2.90
Jun	VADI		2.97
	CLEC	107	3.10

PR 2-02-3342

Month	Category	Count	Rate
Jan	VZ		
	CLEC	427	7.58
Feb	VZ		
	CLEC	355	6.03
Mar	VZ		
	CLEC	398	5.77
Apr	VZ		
	CLEC	887	5.53
May	VZ		
	CLEC	511	5.81
Jun	VZ		
	CLEC	333	5.70

PR 3-03-3343

Month	Category	Count	Rate
Jan	VADI		89.81%
	CLEC	39	71.05%
Feb	VADI		87.85%
	CLEC	75	96.00%
Mar	VADI		87.25%
	CLEC	31	83.87%
Apr	VADI		82.50%
	CLEC	25	76.82%
May	VADI		88.78%
	CLEC	64	95.31%
Jun	VADI		88.51%
	CLEC	107	85.33%

PR 3-10-3342

Month	Category	Count	Rate
Jan	VZ		
	CLEC	431	81.90%
Feb	VZ		
	CLEC	359	93.04%
Mar	VZ		
	CLEC	399	94.74%
Apr	VZ		
	CLEC	818	97.30%
May	VZ		
	CLEC	528	85.27%
Jun	VZ		
	CLEC	338	94.97%

PR 3-11-3342

Month	Category	Count	Rate
Jan	VZ		
	CLEC	802	92.77%
Feb	VZ		
	CLEC	897	88.85%
Mar	VZ		
	CLEC	831	95.81%
Apr	VZ		
	CLEC	1110	98.65%
May	VZ		
	CLEC	833	97.00%
Jun	VZ		
	CLEC	684	87.88%