NASUCA

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OCT - 4 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

October 4, 2001

EX PARTE OR LATE FILED

Ms. Magalie Roman Salas, Attorney at Law
Secretary, Federal Communications Commission
445-12th Street Lobby

HAND DELIVERED
(to designated counter at TW-A325)

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Re: ***Ex Parte*** **Letter herein submitted related to Phase 2 of the Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirement for Incumbent Local Exchange Carriers. (CC Docket OO-199) and Amendments to the Uniform System of Accounts for Interconnection (CC Docket No 97-212)**

Dear Secretary Salas:

Please consider this an *ex parte* letter in the above-captioned dockets submitted on behalf of the National Association of State Consumer Utility Advocates (NASUCA). Identical letters are this date being hand delivered to Chairman Powell, and Commissioners Copps, Abernathy and Martin.

Introduction

NASUCA urges the Commission to

- **reinstate the 15 *existent* accounting rules that had been excluded in the June 8th Notice, and**
- **adopt the proposed 28 new accounts included in the June 8th Notice.**

As a practical matter, backing away from appropriate accounting rules impedes the key regulatory responsibility of enforcement. Without enforcement consumers will be deprived of the competition and lower rates promised in the 1996 Act. Hopefully the Commission will not willingly blind itself to evidence of violations. Hopefully by adopting NARUC and NASUCA recommendations the Commission will make clear its intent to regulate still dominant (*de facto* monopoly) carriers.

Many state regulators take that responsibility seriously and understand their need for these federal uniform accounting tools in order to do their job. In the 1996 federal Act

ALABAMA
ARIZONA
ARKANSAS
CALIFORNIA
COLORADO
CONNECTICUT
DELAWARE
DISTRICT OF COLUMBIA
FLORIDA
GEORGIA
HAWAII
ILLINOIS
INDIANA
IOWA
KANSAS
KENTUCKY
MAINE
MARYLAND
MASSACHUSETTS
MICHIGAN
MINNESOTA
MISSISSIPPI
MISSOURI
NEVADA
NEW HAMPSHIRE
NEW JERSEY
NEW MEXICO
NEW YORK
NORTH CAROLINA
OHIO
OKLAHOMA
OREGON
PENNSLYVANIA
SOUTH CAROLINA
TENNESSEE
TEXAS
UTAH
VERMONT
VIRGINIA
WASHINGTON
WEST VIRGINIA

Congress operated on the assumption that this Commission would use its accounting rule tools to enforce a long list of regulatory mandates in the Act, and to do so *in partnership with the states* (including adoption of whatever new rules are necessary given changes in the industry and technology). The workshops conducted in the instant proceedings expressly sought input from the states in a good faith recognition of that partnership role. In our view it would be a disservice to millions of captive ratepayers if the recommendations of state regulators and state consumer utility advocates were now largely rejected.

NASUCA emphasizes here how important it is for the FCC to take certain actions:

1. Do not eliminate 3-year forecasting on a regulated/non regulated basis.

Any weakening of the current forecasting (already reduced from its previous seven-year period) will greatly hamper the FCC's ability to enforce the Act's prohibition against use of regulated rates as a subsidy for non regulated competitive services. The current three-year forecast requirement at least builds in a buffer against immediate purchase of plant or equipment intended largely for future competitive non regulated services.

2. Do not eliminate or weaken affiliated interest restrictions.

In recognition of the ILECs' market power, express provisions of the Act must be enforced to ensure that ILEC affiliated interests conduct only arms length transactions with their ILEC corporate parent (e.g., as required under Sec. 272 that is expected to become more important as Sec. 271 authority expands). To weaken affiliated interest accounting rules is to weaken the Commission's oversight of affiliated transactions.

3. Do not further weaken ARMIS.

NASUCA repeats its strong support for current ARMIS reporting requirements. For purposes of forward-looking cost studies, and application of TELRIC in UNE proceedings, it is essential that allocation of carriers' revenues, expenses and investments be clearly and separately listed (as between regulated and non regulated activities). Particularly, for example, when there are distinct designs, cost structures, depreciation schedules, maintenance demands, etc., for fiber as compared to copper, any consolidation or elimination of distinct reporting would prevent state commissions and consumer advocates from conducting even basic analysis of ILEC cost studies.

In its Sept. 28th *ex parte* comments, USTA correctly notes that TELRIC costs are based on forward-looking costs but it incorrectly describes and distorts the process through which a state commission determines the reasonableness of proposed UNE costs. The fact is that the overwhelming majority of all UNE inputs begin with Class A accounts. These accounts are then forecasted into a future time period that is used to determine the forward-looking costs. Unless there are uniform accounting rules to establish the Class A starting point, it is impossible to either verify or reject ILECs' proposed UNE costs. In addition, having the account information provided in a uniform fashion and in a regular time series, allows the state commission to validate the forecasting method the ILECs use to bring the historic costs forward into the current period.

4. Adopt new accounts for a) digital switches (sub accounts for circuit and packet switches) b) optical switches and c) circuit equipment (sub account for electronic and optical).

Given changes in the industry and technologies, the Commission must immediately ensure it has in place the necessary tools to enforce the federal Act. Absent specific sub accounts, there is no other way to either confirm or challenge ILEC assertions as to how much is being invested in these various circuits and switches, each of which has a quite distinct design, use and cost. For example, in the assessment and allocation determinations of Universal Service and UNE proceedings, this information is absolutely essential both in protecting consumers and advancing competition. Absent that information, there results a cascading distortion effect on depreciation and maintenance costs as well.

Additionally, as the transition continues from circuit switching to packet switching for example, there is no way to analyze trends, forward-looking cost studies or any traditional forecasting unless appropriate sub accounts are established sooner rather than later. The Commission should rely upon data substantiation rather then unsubstantiated carrier assertions. Billions of dollars are at stake, and indeed competition itself, since it will affect to a significant degree whether or not UNE resale is conducted according to the law.

As a practical and cautionary note, however, it does not appear possible now to allocate the investment of a single piece of equipment that may well be used both for circuit *and* packet functions. From one month or fiscal quarter to the next, that use as between circuit and packet switching is not fixed. That proportional use as to circuit or packet function may shift frequently. Given this engineering reality of one piece of equipment being used for two different functions, it will be important that all carriers be provided a uniform formula for the accounting treatment of that equipment.

5. Adopt a new revenue account for Universal Service.

Creating a specific Part 32 Universal Service revenue account is a logical and necessary preliminary step *and* supplement to *whatever* final determinations are ultimately made in the separate Universal Service proceeding that is underway.[1] The first step comes in this the docket which was opened to examine whether the overall Part 32 accounting framework is appropriate for all current regulatory needs, of which US is but one. It is *this* proceeding in which the necessary accounting boxes are either maintained or created anew. What must be *put* in those boxes is the ongoing subject of a host of other substantive proceedings such as the one on Universal Service. Sooner rather than later, US revenues currently being collected need to be separately recorded and tracked *regardless of whether--- or what---* final determination is made as to revisions in the collection and recovery as part of that separate US docket.

With the passage of the federal Act, that longstanding US principle was broadened in ways that added staggering complexity to the regulatory process. The scope was considerably broadened beyond individuals to include specified categories of institutions (libraries, schools, hospitals) as well as to embrace a much larger number of carriers. The US collection mechanism is now extremely complex and demands a specific revenue sub account so that regulators at the federal

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[1]Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Notice of Proposed Rulemaking* FCC 01-145.

and state level can perform the implementation and enforcement mandates Congress delegated to them in the Act.

6. New Revenue and Expenses Accounts related to UNEs and Resale must be adopted.

It is not just for the sake of competitors, but also in the interest of the very ratepayers NASUCA members represent, that such new accounts be established. It is wholesale not retail customer service costs that are relevant to UNEs. As part of the goal of achieving competition in the local service market, the federal Act imposes various mandates related to interconnection agreements and unbundled network elements. Ultimately residential ratepayers have the greatest stake in ensuring that regulators enforce those provisions. In eliminating needed accounting tools for such enforcement, the Commission would be hindering the prospect of local competition that remains elusive for residential ratepayers.

7. Do Not Combine Deep Sea Cable into the Buried Cable Account.

Current investments in deep sea cable accounts are comparatively small, but it is expected that those levels will increase dramatically as ILECs expand into international facilities. As between undersea and buried cable, characteristics are quite different: e.g., vastly different per unit of distance in capital expenses; much longer depreciation rates for undersea cable; dramatically different maintenance expenses. (There is far less maintenance for cable below the Atlantic than cable buried below "K" Street.) Forward looking cost studies are based in part on the useful lives and expected maintenance support that is anticipated for specific technologies. If this proposal were adopted, that information would no longer be available. For trending purposes it would be chaotic to now lump technologies together.

Perhaps more importantly, combing undersea with buried cable would be extraordinarily anti competitive, allowing ILECs to manipulate this new merged account. As a practical matter it would make possible use of this Commission-approved combined accounting practice to exact artificially high loop access and UNE rates. In doing so, a further blow would be dealt to the prospect of local competition.

8. Maintain the Continuing Property Records (CPR) Rule at §32.2000 (f)(5).

As a preliminary matter, NASUCA notes that the CPR rule is consistent with requirements of the *Foreign Corrupt Practices Act of 1977* that applies to any domestic firm engaged in business with a foreign entity. Maintaining and strictly enforcing the CPR rule and audits is a necessary step to protect ratepayers,[2] whether against ILEC incompetence or protection against potential corrupt practices.

It is extremely disturbing that some actively urge elimination of the CPR rule. Compounding our concern is the apparent basis for such suggestion; namely, an extremely inaccurate mis characterization of the methodology used by Commission staff in CPR audits (e.g., CC Docket No. 99-117, ASD File 99-22). Attachment B discusses that CPR audit in further detail.

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[2]See Attachment B, *Fines and Penalties Haven't Stopped the Antitrust Abuses*, a partial compilation of fines assessed against ILECs in the year 2000.

In any event, if at any time in the future Commission auditors *are* found to violate established auditing procedures in conducting a CPR or any other audit, the Commission---like any employer---should rely on traditional personnel tools for addressing such employee abuse. It would be counterproductive to pursue a solution that instead eliminates the very rules and audits that are the only reasonable tools regulators have to protect ratepayers against practices that result in excessive or unfair rates.

Conclusion

History should inform all debates on public policy. This Commission now has---but appears willing to jettison---the type of uniform and specific accounting reporting requirements which took the Interstate Commerce Commission sixteen years to obtain from Congress. In 1996 Congress relied upon *this* Commission to use current and any needed new accounting tools to enforce the Act. Congress did not direct the Commission to turn into a toothless protector of the public during this critical time of transition.

The residential ratepayers NASUCA members represent cannot afford to have a Commission (with its clear duty to protect the public interest) eliminate the tools necessary to *provide* such protection. At the federal level alone this would be unjustifiable. But state regulators and state consumer advocates rely upon such uniform and detailed accounting data as collected by the Commission. It would thus be a serious departure from both the substance and spirit of the Act, as well as the Partnership role promised, to instead weaken the accounting rules.

NASUCA respectfully and strenuously urges the Commission to adopt the recommendations of NARUC and NASUCA.

Sincerely,

On behalf of NASUCA

Charles A. Acquard
Executive Director

Michael J. Travieso
Chair, NASUCA Telecommunications Committee
(People's Counsel for the Office of People's Counsel, Maryland)

Clarence Johnson
Chair, NASUCA Economics & Finance Committee
(Director. Regulatory Analysis and Statistics, Texas Office of Public Utility Counsel)

Naunihal Singh Gumer
Chair, Tax and Accounting Committee
(Accountant/Rate Cases, District of Columbia Office of the People's Counsel)

ATTACHMENT A (2)
by carrier
by date

FINES AND PENALTIES HAVEN'T STOPPED THE ANTITRUST ABUSES

Competing local carriers that declared bankruptcy in 2000 had planned to spend more than $600 million in capital expenditures in 2001 – more than $1.5 million per day – creating jobs, upgrading local networks and deploying new technologies. Contrast this with the Bell monopolies, fined over $370 million in 2000 - ***more than $1 million per day*** – for anti-competitive business practices, service problems, and failure to live up to legal obligations.

Yet the problems continue:

When	***How Much***	***Where***	***Why***	***Source***
BELLSOUTH				
Jul-01	$4,500,000	GA	Failure to meet performance standards	Associated Press, 7/19/01
Jul-01	$525,000	FL	Service Violations	Daytona Beach News-Journal, 7/11/01
Jun-01	$7,200,000	GA	Failure to meet performance standards	The Atlanta Journal and Constitution, 8/16/01
Apr-01	$3,300,000	GA	Failure to meet performance standards	The Atlanta Journal and Constitution, 8/16/01
Mar-01	$3,600,000	GA	Failure to meet performance standards	The Atlanta Journal and Constitution, 8/16/01
Nov-00	$750,000	US	Settlement of FCC investigation into competitive interconnection agreements.	Telephony, 11/27/00
Sep-00	$54,750	FL	Zoning violation - cell tower construction	Florida Times-Union, 9/27/00
TOTAL	**$19,929,750**			
QWEST				
May-01	$11,200,000	CO	Poor Service Quality	TR Daily, 5/2/01
Apr-01	$350,000	PA	Deceptive billing and advertising and slamming	Bureau of National Affairs, 5/2/01
Apr-01	$500,000	NJ	Slamming	Associated Press, 4/17/01
Apr-01	$725,000	OR	Poor service quality	Communications Daily, 4/10/01
Jan-01	$489,000	AZ	Poor service quality	The Arizona Republic, 1/18/01
Dec-00	$250,000	WI	Slamming	The Telecom Manager's Voice Report, 12/18/00
Nov-00	$350,000,000	TX	Repeated cable cuts in late 1997	USA Today, 11/16/00

Oct-00	$788,000,000	NM	5 yr. spending commitment to settle rate case	Albuquerque Journal, 10/28/00
Oct-00	$43,500,000	CO	Settlement for service quality issues.	AP Online, 10/7/00
Sep-00	$5,990,000	MN	Failure to meet customer service standards.	St. Paul Pioneer Press, 9/20/00
Jul-00	$1,500,000	US	Slamming	Denver Rocky Mountain News, 7/22/00
Apr-00	$1,000,000	WA	Subsidiary overcharged payphone customers.	The Seattle Times, 4/13/00
Apr-00	$175,000	AZ	Slamming	Associated Press, 4/14/00
Feb-00	$1,500,000	AZ	Poor service quality	The Tucson Citizen, 2/2/00
Jan-00	$12,700,000	CO	US West refund to consumers - failure to fix phone outages, install new service in timely manner	The Denver Post, 1/19/00
TOTAL	**$1,217,879,000**			
SBC				
Sep-01	$25,600,000	CA	Deceptive and overly aggressive marketing of phone services	San Jose Mercury News, 9/21/01
Aug-01	$3,800,000	US	Failure to meet wholesale service standards	Reuters, 8/24/01
Jul-01	$1,488,556	IL	Failure to meet wholesale service standards	Illinois Commerce Commission
Jul-01	$4,750	IN	Failure to meet wholesale service standards	Indiana Utility Regulatory Commission
Jul-01	$37,000	MI	Failure to meet wholesale service standards	Michigan Public Service Commission
Jul-01	$114,893	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Jul-01	$3,200,000	US	Failure to meet merger commitments	Reuters, 7/27/01
Jun-01	$2,200,000	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
Jun-01	$60,000	IN	Failure to meet wholesale service standards	Indiana Utility Regulatory Commission
Jun-01	$60,000	MI	Failure to meet wholesale service standards	Michigan Public Service Commission

Jun-01	$921,000	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
May-01	$3,764,719	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
May-01	$1,141,739	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
May-01	$1,006	WI	Failure to meet wholesale service standards	Wisconsin Public Service Commission
May-01	$90,087	MI	Failure to meet wholesale service standards	Michigan Public Service Commission
May-01	$3,870,000	US	Failure to meet merger commitments	Reuters, 5/31/01
May-01	$94,500	US	Failure to identify COs w/o collocation space.	FCC Press Release, 5/24/01
May-01	$120,000,000 (see Note)	IL	Refunds to business customer due to improperly classifying services as competitive	Illinois Commerce Commission NOTE: ICC case with no final order yet. Legislature "settled" case for $120 million
Apr-01	$3,600,630	IL	Failure to meet wholesale service standards	Illinois Commerce Commission
Apr-01	$1,171,875	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Apr-01	$79,000	MI	Failure to meet wholesale service standards	Michigan Public Service Commission
Apr-01	$17,500	WI	Failure to meet wholesale service standards	Wisconsin Public Service Commission
Mar-01	$3,077,406	IL	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Mar-01	$1,079,363	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Mar-01	$4,500,000	US	Failure to meet merger commitments.	Communications Daily, 4/9/01
Mar-01	$88,000	US	Failure to report performance data.	Wall Street Journal, 4/4/01
Mar-01	$77,500	MI	Failure to meet wholesale service standards	Michigan Public Service Commission
Feb-01	$6,000,000	US	Failure to meet merger commitments.	Communications Daily, 4/9/01

Feb-01	$500	WI	Failure to meet wholesale service standards	Wisconsin Public Service Commission
Feb-01	$3,151,154	IL	Failure to meet wholesale service standards	Illinois Commerce Commission
Feb-01	$33,512	MI	Failure to meet wholesale service standards	Michigan Public Service Commission
Feb-01	$828,387	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Jan-01	$30,000,000	IL	Failure to restore phone service w/i 24 hrs to at least 95% of customers. Standard part of SBC/Ameritech merger agreement.	South Bend Tribune, 1/24/01
Jan-01	$42,000	WI	Credits for improper billing of 3-way calling service	AP 1/20/01
Jan-01	$2,891,525	IL	Failure to meet wholesale service standards	Illinois Commerce Commission
Jan-01	$1,224,657	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Jan-01	$6,400,000	US	Failure to meet merger commitments.	Communications Daily, 4/9/01
Jan-01	$675,000	IN	Pending damages to a computer consultant for faulty phone service. Ameritech has already been found guilty in the case.	The Indianapolis Star, 1/23/01
Dec-00	$18,400,000	MI	Settlement reached in Dec. for service quality problems ($13 M) plus voluntary credits ($5.4 M)	Crain's Detroit Business, 4/9/01
Dec-00	$1,498,707	IL	Failure to meet wholesale service standards	Illinois Commerce Commission
Dec-00	$760,975	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Dec-00	$6,100,000	US	Failing to meet SBC/Ameritech merger conditions.	Communications Daily, 4/9/01
Nov-00	$1,416,223	IL	Failure to meet wholesale service standards	Illinois Commerce Commission
Nov-00	$722,800	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio

Oct-00	$13,500,000	WI	Refund (credits) for poor service quality	Capital Times (Madison, WI), 2/15/01
Oct-00	$1,757,890	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
Oct-00	$743,126	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Oct-00	$1,750,000	WI	Rate reduction penalty for failure to meet service quality standards	Capital Times (Madison, WI), 2/15/01
Sep-00	$1,500,000	MI	Failure to deal with identity theft	Chicago Tribune, 9/26/00
Sep-00	$1,410,370	IL	Failure to meet wholesale service standards	Illinois Commerce Commission
Sep-00	$813,525	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Aug-00	$175,000,000	IL	Miscalculating retiree benefits	AP 8/24/00 NOTE: This is not competition-related. This was a federal trial court decision. I do not know the current status (settlement, appeal, etc.)
Aug-00	$932,400	IL	Failure to meet wholesale service standards	Illinois Commerce Commission
Aug-00	$295,000	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Jul-00	$708,950	IL	Failure to meet wholesale service standards	Illinois Commerce Commission
Jul-00	$155,500	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Jul-00	$8,750,000	OH	Company violated state telephone standards 122,531 times between 8/98 and 7/99.	Akron Beacon Journal, 1/18/01
May-00	$27,000,000	CA	Failure to deliver equipment & space to Covad in a timely manner.	San Francisco Business Times, 2/2/01
Feb-00	$407,000	TX	CLEC problems in TX	Associated Press, 4/19/00

Jan-00	$472,600	TX	CLEC problems in TX	Associated Press, 4/19/00
TOTAL	**$495,481,325**			
VERIZON				
Aug-01	$1,500,000	US	Failure to meet wholesale service standards	Reuters, 8/8/01
Apr-01	$3,100,000	FL	Slamming	TR Daily, 4/25/01
Mar-01	$5,600,000	NY	Failure to meet service quality standards.	AP State & Local Wire, 3/29/01
Feb-01	$5,000,000	PA	Misleading advertising in structural separation proceeding. The proposed fine still pending final determination by the PUC.	The Patriot News, 3/26/01
Oct-00	$200,000,000	VA	Refund to consumers for 6 yrs of overcharges	The Virginian-Pilot, 10/13/00
Oct-00	$1,750,000	NY	Slamming	Baltimore Sun, 10/18/00
Aug-00	$250,000	PA	Deceptive lobbying practices	National Assoc. of Attorneys General Consumer Protection Report, Sept 00
Jul-00	$209,000	FL	Slamming	Dallas Morning News, 7/12/00
Mar-00	$13,000,000	US	Problems processing CLEC orders in NY.	Communications Daily, 3/10/00
2000	$2,700,000	US	Treasury payment for GTE competition offenses (collocation).	America's Network, 1/1/01
TOTAL	**$233,109,000**			

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When	***Carrier***	***How Much***	***Where***	***Why***	***Source***
Sep-01	SBC	$25,600,000	CA	Deceptive and overly aggressive marketing of phone services	San Jose Mercury News, 9/21/01
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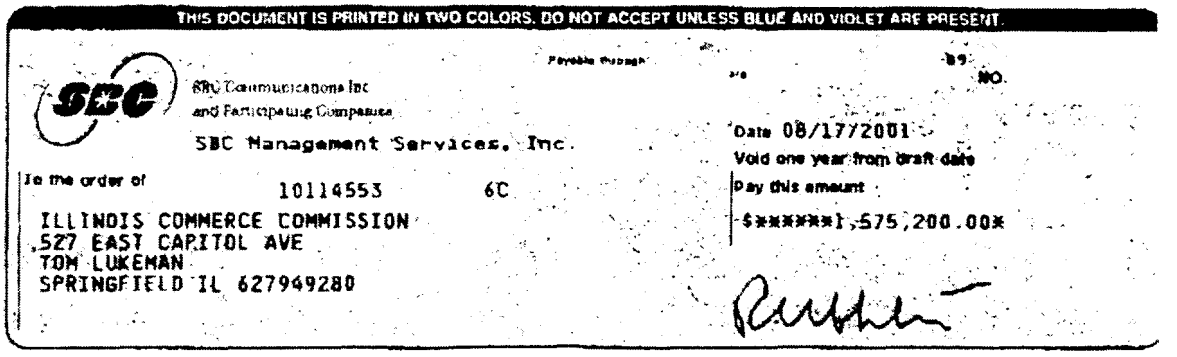
Jan-01	SBC	$30,000,000	IL	Failure to restore phone service w/i 24 hrs to at least 95% of customers. Standard part of SBC/Ameritech merger agreement.	South Bend Tribune, 1/24/01
Jan-01	SBC	$42,000	WI	Credits for improper billing of 3-way calling service	AP 1/20/01
Jan-01	SBC	$2,891,525	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
Jan-01	SBC	$1,224,657	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio

Jan-01	SBC	$6,400,000	US	Failure to meet merger commitments.	Communications Daily, 4/9/01
Jan-01	SBC	$675,000	IN	Pending damages to a computer consultant for faulty phone service. Ameritech has already been found guilty in the case.	The Indianapolis Star, 1/23/01
Dec-00	Qwest	$250,000	WI	Slamming	The Telecom Manager's Voice Report, 12/18/00
Dec-00	SBC	$18,400,000	MI	Settlement reached in Dec. for service quality problems ($13 M) plus voluntary credits ($5.4 M)	Crain's Detroit Business, 4/9/01
Dec-00	SBC	$1,498,707	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
Dec-00	SBC	$760,975	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Dec-00	SBC	$6,100,000	US	Failing to meet SBC/Ameritech merger conditions.	Communications Daily, 4/9/01
Nov-00	SBC	$1,416,223	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
Nov-00	SBC	$722,800	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Nov-00	BellSouth	$750,000	US	Settlement of FCC investigation into competitive interconnection agreements.	Telephony, 11/27/00
Nov-00	Qwest	$350,000,000	TX	Repeated cable cuts in late 1997	USA Today, 11/16/00
Oct-00	Qwest	$788,000,000	NM	5 yr. spending commitment to settle rate case	Albuquerque Journal, 10/28/00
Oct-00	Qwest	$43,500,000	CO	Settlement for service quality issues.	AP Online, 10/7/00
Oct-00	SBC	$13,500,000	WI	Refund (credits) for poor service quality	Capital Times (Madison, WI), 2/15/01
Oct-00	SBC	$1,757,890	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
Oct-00	SBC	$743,126	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Oct-00	SBC	$1,750,000	WI	Rate reduction penalty for failure to meet service quality standards	Capital Times (Madison, WI), 2/15/01

Oct-00	Verizon	$200,000,000	VA	Refund to consumers for 6 yrs of overcharges	The Virginian-Pilot, 10/13/00
Oct-00	Verizon	$1,750,000	NY	Slamming	Baltimore Sun, 10/18/00
Sep-00	BellSouth	$54,750	FL	Zoning violation - cell tower construction	Florida Times-Union, 9/27/00
Sep-00	Qwest	$5,990,000	MN	Failure to meet customer service standards.	St. Paul Pioneer Press, 9/20/00
Sep-00	SBC	$1,500,000	MI	Failure to deal with identity theft	Chicago Tribune, 9/26/00
Sep-00	SBC	$1,410,370	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
Sep-00	SBC	$813,525	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Aug-00	SBC	$175,000,000	IL	Miscalculating retiree benefits	AP 8/24/00 NOTE: This is not competition-related. This was a federal trial court decision. I do not know the current status (settlement, appeal, etc.)
Aug-00	SBC	$932,400	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
Aug-00	SBC	$295,000	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Aug-00	Verizon	$250,000	PA	Deceptive lobbying practices	National Assoc. of Attorneys General Consumer Protection Report, Sept 00
Jul-00	Qwest	$1,500,000	US	Slamming	Denver Rocky Mountain News, 7/22/00
Jul-00	SBC	$708,950	IL	Failure to meet wholesale service standards	ePrairie.com, 8/21/01
Jul-00	SBC	$155,500	OH	Failure to meet wholesale service standards	Public Utilities Commission of Ohio
Jul-00	SBC	$8,750,000	OH	Company violated state telephone standards 122,531 times between 8/98 and 7/99.	Akron Beacon Journal, 1/18/01
Jul-00	Verizon	$209,000	FL	Slamming	Dallas Morning News, 7/12/00
May-00	SBC	$27,000,000	CA	Failure to deliver equipment & space to	San Francisco Business Times,

				Covad in a timely manner.	2/2/01
Apr-00	Qwest	$1,000,000	WA	Subsidiary overcharged payphone customers.	The Seattle Times, 4/13/00
Apr-00	Qwest	$175,000	AZ	Slamming	Associated Press, 4/14/00
Mar-00	Verizon	$13,000,000	US	Problems processing CLEC orders in NY.	Communications Daily, 3/10/00
Feb-00	Qwest	$1,500,000	AZ	Poor service quality	The Tucson Citizen, 2/2/00
Feb-00	SBC	$407,000	TX	CLEC problems in TX	Associated Press, 4/19/00
Jan-00	Qwest	$12,700,000	CO	US West refund to consumers - failure to fix phone outages, install new service in timely manner	The Denver Post, 1/19/00
Jan-00	SBC	$472,600	TX	CLEC problems in TX	Associated Press, 4/19/00
2000	Verizon	$2,700,000	US	Treasury payment for GTE competition offenses (collocation).	America's Network, 1/1/01



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SBC Communications Inc
and Participating Companies

SBC Management Services, Inc.

Date 08/17/2001
Void one year from draft date

To the order of 10114553 6C

ILLINOIS COMMERCE COMMISSION
527 EAST CAPITOL AVE
TOM LUKEMAN
SPRINGFIELD IL 627949280

Pay this amount
$******1,575,200.00*

Ameritech's $1.575 million check to the Illinois Commerce Commission, dated 8/17/01.
Check courtesy of the ICC

http://www.eprairie.com/news/viewnews.asp?newsletterID=2880&page=2

ATTACHMENT B **CPR Audit in CC Docket No. 99-117, ASD File 99-22**

This CPR audit has been egregiously mis characterized as one in which Commission audit staff[1] erroneously and abusively concluded that units listed by carriers in their continuing property records could not be physically found in inventory or verified by supporting cost documentation. In fact, the carriers' representatives participating in the audits agreed with the auditors' conclusion. Commission auditors *did use* specified statistical sampling methodologies in selecting what would be inspected, despite contrary assertions by these CPR detractors. Even though not required by Commission rules, the staff audit procedures complied with both the Generally Accepted Accounting Standards (GAAS) and the Generally Accepted Government Auditing Standards (GAGAS). The carriers had advance notice of the inspections; told in advance which offices would be inspected as to 36 items each.

The inspection methodology used afforded carriers full, fair and *repeated* opportunities to demonstrate the existence of such units. Specifically the site inspection process used groups of 2-person teams (one a Commission staff & one a carrier designated employee) that determined after inspection whether or not those units could be located. **No unit remained on the list unless that carrier's representative agreed.** If following the initial inspection, the carrier representative remained uncertain as to the unit's existence, the entire group of 2-person teams would revisit that site. In a relatively few instances with the "extra eyes" of those additional inspectors an item would be found and removed from the list. In the vast majority of cases, however, the specified unit was found not to exist even *after* this fuller search by all the inspection teams. The unit remained on the list *only if* as a result of that expanded search, it could not be located as agreed to by the carrier's representatives. Furthermore, before leaving the premises, the carrier was presented with a printout of the non existing units and provided a still *further* opportunity to demonstrate its existence.

Some at the Commission describe instances in which the "missing" unit was but one component in a larger unit that would have to be disassembled in order for the carrier to prove its existence. In fact, in those few instances involving a component part, Commission auditors readily accepted documentation reasonably substantiating the unit's existence (e.g., vendor receipts as to the sale of the component part).

The CPR audit tallied multi billion dollars worth of items that though depreciated by the incumbent carriers, could not be located by Commission auditors *or* those carriers. Yet if anything, that audit dramatically *understated* the scope of non compliance.

The CPR audit excluded consideration of principles and practices that *should have been pursued* to protect ratepayers. First, the law requires that to keep a unit on the books, it must be demonstrated that it is "used and useful". The audit should have determined whether non used or non useful units were also being depreciated in violation of the law. Second, carriers had creatively---despite no legal authority to do so---established their own catchall account categories (e.g., "Undetailed Investment" and "Unallocated Costs" ---accounts that nowhere appear in the Code of Federal Regulations (CFR) applicable to telecommunications). Carriers were depreciating multi billion dollars worth of "vapor" at ratepayer expense. They were additionally creating out of vapor, two huge vats into which they dumped units for which they have *never* been held accountable since nothing in these two accounts were audited.

[1] Common Carrier Bureau's Accounting Safeguard Division