

## **ATTACHMENT 2**

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	
	)	
1998 Biennial Regulatory Review –	)	CC Docket No. 98-171
Streamlined Contributor Reporting	)	
Requirements Associated with	)	
Administration of Telecommunications	)	
Relay Service, North American Numbering	)	
Plan, Local Number Portability, and	)	
Universal Service Support Mechanisms	)	
	)	
Telecommunications Services for	)	CC Docket No. 90-571
Individuals with Hearing and Speech	)	
Disabilities, and the Americans with	)	
Disabilities Act of 1990	)	
	)	
Administration of the North American	)	
Numbering Plan and North American	)	CC Docket No. 92-237
Numbering Plan Cost Recovery	)	NSD File No. L-00-72
Contribution Factor and Fund Size	)	
	)	
Number Resource Optimization	)	CC Docket No. 99-200
	)	
Telephone Number Portability	)	CC Docket No. 95-116
	)	
Truth-in-Billing and Billing Format	)	CC Docket No. 98-170

**DECLARATION OF ALAN LENTZ AND MARK MILOTA**

We, Alan Lentz and Mark Milota, pursuant to 28 U.S.C. § 1746, do hereby declare under penalty of perjury that the following is true and correct:

1. My name is Alan Lentz. My current position is Senior Manager of Marketing Program Solutions at WorldCom. In that capacity, I manage an organization within WorldCom Product Marketing responsible for developing operational processes and systems solutions to enable WorldCom to launch promotions, contracts, and programs to commercial customers.

These activities include the administration of WorldCom's billing and recovery for its universal service contributions. From March 1997 to June 2000, my position was Senior Manager of Billing Product Marketing. In that capacity, I managed an organization responsible for developing a billing infrastructure needed to invoice universal service charges and Carrier Access Charges ("CACs"), WorldCom's term for the pass-through charges to recover Presubscribed Interexchange Carrier Charges ("PICCs"). During that same time period, I also managed employees responsible for administering credits to MCI and WorldCom customers enrolled in the E-Rate and Rural Healthcare Universal Service programs.

2. My name is Mark Milota. My current position at WorldCom is Staff Specialist III. One of my major assignments is to define requirements for WorldCom's Information Technology ("IT") group for development of systems to support regulatory initiatives and requirements. Since the beginning of 1999, I have handled development and support issues related to WorldCom's implementation of PICCs. I also provide Product Marketing support to field sales and Revenue Operations for PICCs, including managing initiatives to improve customer service relating to WorldCom's invoicing of its Carrier Access Charge.

3. **Purpose.** The purpose of this declaration is to explain why an interexchange carrier ("IXC") cannot accurately or efficiently assess a per-connection charge applied to connections that are provisioned, installed, and maintained by an incumbent local exchange carrier ("ILEC"), or any other outside service provider, when that charge varies by characteristics of that connection. Our review is based on first-hand personal experience gained from providing marketing and development support for MCI's and, post-merger, WorldCom's implementation and ongoing support of PICCs. We found this to be true during MCI's initial implementation of PICCs upon their creation by the Federal Communications Commission's ("FCC's") *1997 Interstate Access Charge Reform First Report & Order*.<sup>1</sup> In spite of five years of development, we continue to see obstacles to accurate support of a per-line charge on circuits provided by other local service providers. Therefore, we can only conclude that a connection-based federal universal service assessment would be plagued by the same problems.

4. **Background Information.** Prior to implementation of PICCs, IXCs had no reason to capture and retain line type information, and ILECs had no reason to pass line characteristics to IXCs. The PICC was a charge created by the FCC in its *1997 Interstate Access Charge Reform First Report & Order* in which ILECs billed interconnected long distance carriers a charge for each customer line presubscribed to that long distance carrier. Although each line type as provided by the ILEC has different feature functionalities, those varying feature functionalities have no bearing on the interexchange services provided by WorldCom and other IXCs. Customer calls originating on ILEC-provided lines and passed to WorldCom switches are

---

<sup>1</sup> *In re Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Transport Rate Structure and Pricing End User Common Line Charges, First Report & Order, 12 FCC Rcd 15982, 15999 (¶ 38) (1997) ("1997 Interstate Access Charge Reform First Report & Order").*

not treated differently as a result of ILEC line type. For example, when calls are passed from the ILEC switch to WorldCom's network, it makes no difference to WorldCom whether the traffic arrived at the ILEC switch over a single-line business line, a multiline business line, a Centrex line or a PBX trunk.

5. When the FCC implemented PICCs, it set different rates for primary residential and single-line business, non-primary residential, multiline business, Centrex, ISDN-BRI, and ISDN-PRI lines. ILECs began to render PICC bills to the IXCs based on the ILECs' counts of the IXCs' presubscribed lines and line types. However, because WorldCom and other IXCs did not provide lines to the vast majority of their end user customers and had no reason otherwise to track and maintain line counts by line type, neither WorldCom nor other IXCs<sup>2</sup> had the data needed to audit the aggregated ILEC PICC bills they received from the ILECs. In addition, this also meant that IXCs lacked the data necessary to bill properly their customers on a per-line and line-type basis to recover those charges.<sup>3</sup> WorldCom's efforts over the past five years to obtain and maintain accurate and timely information regarding lines provided by ILECs have in many cases been unsuccessful. Moreover, it is critical to remember that only the nation's 13 largest ILECs, the price cap LECs, charged PICCs. The over 1300 non-price cap ILECs never have had any reason to develop systems to provide to the IXCs data on the number and type of their customer lines to which the IXCs' customers subscribe. In addition, neither WorldCom nor any other IXC ever had any reason to develop systems to process data on the number and type of lines from the nation's non-price cap ILECs.

6. **Summary of Impacts to WorldCom and its Customers.** The ILECs are the sole source of data on the characteristics of the vast majority of customer lines and the customers to whom each line should be attributed. Because this data is not data that is accessible to WorldCom as a result of its provision of its service to the customer, WorldCom is entirely dependent upon the ILEC for updates and revisions to the data. This means that data systems cannot simply be designed once, and data refined once, but that data must be capable of being continually received, audited, and utilized. WorldCom spent substantial sums of money to implement PICCs and continues to incur costs for systems needed to compensate for inaccurate and incomplete ILEC data regarding customer line type. WorldCom has had to develop complex systems, including an automated override system to compensate for errors in the data we have paid for and received from the ILECs. Even with these systems in place, the data we receive from ILECs continues to be inaccurate, resulting in our misbilling customers. WorldCom is forced routinely to issue credits to customers to offset charges billed as a result of inaccurate identification of customer line type. Customers strongly prefer accurate billing; issuing credits after the fact is a poor substitute for billing accurately on the original invoice. Despite our large

---

<sup>2</sup> For the remainder of this declaration, we shall present the specific experience of WorldCom (including pre-merger MCI). These same problems existed and continue to exist for other IXCs as well.

<sup>3</sup> This declaration will focus on the problem of billing customers, but there also is a problem with auditing ILEC bills.

investment in systems, customer credits resulting from incorrect line identifications continue to represent five percent of total CAC billing. If the Commission were to adopt a connection-based universal service assessment mechanism that required IXCs to contribute to universal service based on connection-provider data not in their possession, the added costs of obtaining and revising connection-provider data, generating bills based on that data, creating override systems to correct for inaccuracies in the connection-provider data, and generating credits to end users for errors created by unreliable data will have to be recovered from end users through additional charges. This would add significantly to the USF recovery fees that WorldCom would have to charge to its customers.

7. **MCI's Initial PICC Implementation Costs.** When PICCs were first implemented, we were employed by MCI. After MCI and WorldCom merged, we learned that WorldCom faced similar challenges in implementing PICCs. Prior to the implementation of PICCs, IXCs had received data from ILECs when presubscribed lines were added or deleted, but this information did not always include line type. To implement PICCs as per-line fees that varied by line type, MCI had to enhance order entry, billing, and audit systems. MCI's initial costs in 1997 and early 1998 for developing and adapting systems needed to support PICCs exceeded \$2 million. This cost amount does not include travel and employee time spent in supporting the project. It also does not reflect the cost of training field sales and service, and of notifying and explaining PICCs and universal service programs to customers. Intense development activity began in late 1997, which included daily conference calls and recurring face to face meetings to determine a solution for auditing and invoicing PICCs when our systems had no visibility to customer line type. These meetings involved personnel from Product Marketing, Product Development, Information Technology, Revenue Operations, Corporate Tax, and Corporate Finance.

8. **Ongoing Development Costs.** In response to an FCC requirement, ILECs began to make datafiles indicating customer line type available to IXCs. MCI then spent approximately \$820,000 to enhance order entry and billing systems to capture this newly available data. Unfortunately, as discussed below, the data provided in these files has not always been accurate.

9. **Efforts to Obtain Accurate ILEC Data.** Although ILECs have for many years provided data to IXCs when an IXC's presubscribed lines were added or changed, prior to implementation of PICCs, ILECs had not provided to IXCs complete data on all existing lines, that is, on the embedded base of each IXC's customers. When IXCs began to request data files containing line characteristics of all their circuits, not just adds or changes, some price cap ILECs agreed to develop systems to provide such data, but they generally charged IXCs for providing file extracts. As PICCs diminished, fewer price cap ILECs continued to offer datafiles. Currently only a few price cap ILECs continue to provide data extracts to IXCs. If IXCs needed to have ILEC line characteristic data in order to implement a USF assessment mechanism, these data extract systems would have to be resurrected.

10. **IXC Costs of ILEC Data Extracts.** Typical ILEC charges are \$0.03 per record for interLATA line indicators, \$0.03 per record for intraLATA line indicators, and \$0.06 for both interLATA and intraLATA line indicators. These charges seem excessive for data files that can be generated by a database query. For a company such as WorldCom, with almost 2 million lines in the largest ILEC, a single request for a database extract might cost \$120,000. If the ILEC data were accurate, a single data dump of total line information in tandem with on-going updates to report adds and changes would suffice, resulting in a one-time expense. However, WorldCom found such a large number of inaccuracies that periodic data dumps are needed and are performed annually. Thus, the database extract costs, if necessary for all lines and not just the few remaining ILECs with PICCs, would be a large recurring cost.

11. **Unavailable ISDN Circuit Data.** One particularly significant data problem involves ISDN-PRI service. It is impossible for WorldCom to determine accurately the number of circuits with ISDN-PRI service, because ILECs do not pass circuit identifiers. Assumptions cannot be made, since ISDN product offerings vary by ILEC. For example, BellSouth allows up to 1,000 circuits on an ISDN-PRI ANI, but other ILECs allow only 24 circuits. In order to report circuits, IXCs would need to have data on the number of circuits carried on high-capacity trunks.

12. **WorldCom Efforts to Compensate for Inaccurate ILEC Data.** It has been WorldCom's painful experience that the data provided by the ILECs continues to be inaccurate. WorldCom typically discovers this by receiving a customer complaint that passthrough charges on a WorldCom invoice do not correctly reflect line types. Both the customer and WorldCom must participate in correcting these problems. Initially, WorldCom attempted to deal with customer credits manually, but the problem was so systemic that WorldCom determined that it was necessary to develop an automated system to override the data it receives via established ILEC interfaces. 2002 development costs of this system were \$83,000. WorldCom adopted an override approach because our audit personnel believe that it is important not to modify databases built from ILEC data, even when we detect errors. Maintaining the data intact as received from the ILEC avoids potential problems in ILEC interfaces and simplifies trouble management by providing verification that the data initially provided by the ILEC differs from information provided by the customer. Therefore, we inserted a step in the Carrier Access Charge billing process in which billing software compares data in the ILEC database to data in our manually created "override" database. If an ANI appears in the override database, the override line type is used in calculating and applying CAC charges to customer invoices.

13. **Customer Impacts of Inaccurate ILEC Data.** Despite the investment WorldCom has made in automating customer credits for inaccurate billing of PICC pass-through charges, manual activity is still required of our customers and WorldCom personnel. WorldCom requires verification before overriding ILEC data in WorldCom systems. Our field sales personnel ask customers to provide reports or invoices on ILEC letterhead that confirm customer line type and count. These documents are submitted to our Revenue Operations personnel. If these documents demonstrate an error in the ILEC database, Revenue Operations personnel enter data into the override database. Customers sometimes have difficulty obtaining written data

from ILEC customer service personnel. WorldCom account teams often turn to our LEC Compliance Group to obtain an escalation contact within the ILEC.

14. **Negative Impact of PICC to WorldCom Customer Programs.** In order to support PICCs, MCI and now WorldCom has had to divert IT, Revenue Operations, and Marketing resources from projects slated to provide improved service to customers. We feel that our release of on-line electronic billing was substantially delayed when IT resources had to be redeployed to develop and sustain order entry, billing, and audit solutions for PICCs and Universal Service Programs.

15. **MCI WorldCom Consumer Division Support of PICC.** It is not our responsibility to handle PICC billing for residential customers, but we are aware that, during the time the residential PICCs were in existence, there were parallel efforts in our consumer division to develop and maintain systems and processes to administer PICC. Communications with our colleagues in consumer marketing confirm that their organization faced similar problems in implementing PICCs as per-line charges that varied by customer line type.

16. **Anticipated Impacts to Service Providers of Per-Line FUSF.** The problems we have experienced in auditing and assessing PICCs that vary by line characteristics would be more severe if WorldCom were required to assess its long distance customers federal universal service fees that varied by line characteristics. With PICCs, IXC needed data from only 13 ILECs. These were the largest, most sophisticated ILECs, with the best capabilities for providing data on large numbers of lines. With a line-based FUSF, IXCs would need data from every possible provider of local circuits, including CLECs and over 1300 incumbent local service providers. ILECs apparently considered providing data files containing end user line type as a burden and an expense, as evidenced by the difficulty in obtaining data and the associated costs. These difficulties and costs of delivering data files to IXCs would appear to have a negative business impact on CLECs and other local service providers.

17. **Anticipated Impacts to Customers of Per-Line FUSF.** WorldCom's experience in auditing ILEC per-line charges to us and in passing through Carrier Access Charges to customers indicates that accurate audit and invoicing is simply not possible in instances where WorldCom does not provide the connection to the public network. At best, requiring an IXC to apply to its customer invoices a charge that can only be calculated using data that resides solely with other service providers is an inefficient and costly process that will inevitably lead to decreased customer satisfaction. In addition, the added costs of obtaining and revising connection-provider data, generating bills based on that data, creating override systems to correct for inaccuracies in the connection-provider data, and applying credits to end users for errors created by unreliable data will have to be recovered from end users through additional charges. This would add significantly to the USF recovery fees that WorldCom would have to charge to its customers.

Executed by:

Alan Lentz  
Alan Lentz

5.13.02  
Date

Mark Milota  
Mark Milota

5-13-02  
Date