BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
Application by SBC Communications Inc.	)	WC Docket No. 03-167
For Authorization To Provide In-Region,	)	
InterLATA Services In The States Of	)	
Illinois, Indiana, Ohio, and Wisconsin	)	
	)	
	)	

JOINT DECLARATION OF SARAH DEYOUNG AND SHANNIE TAVARES

I. BACKGROUND

1. My name is Sarah DeYoung. I am Division Manager – Local Services for AT&T's SBC Local Services and Access Management ("LSAM") Organization. In my position, I am responsible for the business relationship with SBC Communications Inc. ("SBC") as it relates to supporting AT&T's plans for entering the local telephone service market. Those responsibilities include negotiating with Ameritech, Southwestern Bell Telephone Company ("SWBT"), Pacific Bell ("Pacific"), and Southern New England Telephone ("SNET") for the purpose of facilitating local market entry by AT&T.

2. My responsibilities also include managing the business relationship between AT&T and SBC (and its subsidiaries, including Ameritech) for all local issues. AT&T is currently providing local exchange service through the UNE platform ("UNE-P") to residential customers in six SBC states, and business local service in nine SBC States.

3. The team that I currently manage interfaces with internal AT&T operational teams dedicated to provisioning AT&T local services. In AT&T Consumer Services, for example, our primary stakeholders include the Product Management organization, which oversees the bundled local product that AT&T is offering in Michigan and other SBC States. My team also partners with the CIO systems organization that manages the integrated systems platform and interfaces with SBC and other external suppliers (such as vendors of inside wire and providers of voice mail). Finally, my team facilitates regularly scheduled conference calls between SBC's LSC and LOC centers and AT&T Customer Care Organizations.

4. I hold a Bachelor of Arts degree from the University of Michigan in Ann Arbor, and a Master of Management degree from the Kellogg School of Business at Northwestern University. I have been with AT&T since 1982. In the course of my career, I have worked in various local exchange supplier management positions and in a wide variety of engineering and finance positions. In 1995, I managed AT&T's Total Services Resale and Loop Resale operational discussions with SBC. In 1996, I was Program Manager – Negotiations Support in AT&T's Central States region. In that position, I was responsible for supporting the executive team that led AT&T's interconnection negotiations with SBC and provided subject matter expertise on a number of local issues. In addition, from late 1996 until April 1999, I also acted as AT&T's primary contact with Pacific on all operations support system and operational issues associated with AT&T's market entry in the state of California.

5. My name is Shannie Tavares. I am a Manager with AT&T. In that capacity, I am responsible for functioning as a liaison between the 13-state SBC companies and various AT&T organizations, including Access and Carrier Billing, Product Delivery and Product Marketing, to

ensure that AT&T's business requirements are met. I am a graduate of the University of San Francisco, California. I have over 28 years of experience with AT&T, and have been involved in local market negotiations for the past seven years. My primary areas of negotiations include AT&T's facility-based and Unbundled Network Elements ("UNEs") billing and recording requirements, E-911, Interconnection contract compliance, Operator Services, Subscriber listings, and VoiceMail.

II. PURPOSE AND SUMMARY OF TESTIMONY

6. This declaration addresses the ongoing problems with SBC's wholesale billing performance. SBC acknowledges that it uses the same billing systems in all five of its Midwest states (Illinois, Indiana, Ohio, Wisconsin, and Michigan).[1] When Ameritech Michigan first sought Section 271 approval more than five years ago, this Commission rejected that application in part because Ameritech Michigan could not provide accurate and timely bills.[2] When SBC again sought Section 271 approval in Michigan earlier this year, it was forced to withdraw its application, with the "most troubling" issue concerning "whether SBC is currently providing wholesale billing functions for competitive LECs in a manner that meets the requirements" of existing precedent.[3] Chairman Powell specifically noted that SBC did not provide the results of a data reconciliation concerning its billing systems until "very late in [the] 90 day process."[4]

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[1] Affidavit of Justin W. Brown, Mark J. Cottrell and Michael E. Flynn Regarding Billing ¶ 1 n.1 (July 17, 2003) ("Brown/Cottrell/Flynn Affid.").
[2] *Michigan 271 Order* ¶¶ 200-03.
[3] *Statement of FCC Chairman Michael Powell On Withdrawal of SBC's 271 Application For Michigan*, Press Release (April 16, 2003).
[4] *Id.*

7. Notwithstanding its latest efforts to explain the data reconciliation and the results, SBC still cannot provide accurate and timely bills as required by Section 271. First, even after the reconciliation, there remain significant problems demonstrating that SBC's provisioning system is still not in sync with its billing system. For instance, as AT&T showed in its Comments on SBC's currently pending Section 271 application for Michigan, AT&T's initial review of its March 2003 wholesale bill from SBC revealed 1619 instances of overbilling and 322 instances of underbilling, and these numbers exclude tens of thousands of additional telephone numbers that showed evidence of discrepancy but with respect to which AT&T did not have the time and resources to investigate.[5] Significantly, the Department of Justice ("DOJ") has determined with respect to the Michigan 271 application that "serious questions continue to be raised concerning the accuracy of SBC's wholesale billing" and that "[t]he record does not permit the Department to conclude that these concerns are insignificant or that they have been adequately addressed."[6] Thus, as was the case with SBC's earlier Michigan 271 application, DOJ "is not in a position to support [SBC's] application based on the current record."[7]

8. These errors demonstrate conclusively that SBC is still issuing erroneous wholesale bills and has yet to resolve the fundamental underlying problem with its wholesale billing system. SBC's reconciliation of its internal data sources – and the incomplete BearingPoint and

[5] Comments of AT&T Corp., at 26-27, WC Docket No. 03-138 (July 2, 2003); Joint Declaration of Sarah DeYoung and Shannie Tavares, at ¶¶ 7-10, WC Docket No. 03-138 (July 2, 2003) ("DeYoung/Tavares Michigan Decl.").
[6] Michigan DOJ Eval. at 2; *see also id.* at 6 ("persistent questions remain concerning billing accuracy").
[7] *Id.* at 2.

Ernst & Young ("E&Y") testing[8] – cannot mask the substantial problems that are still evident on CLEC wholesale bills.

9. Second, notwithstanding SBC's attempt to bolster its claims about the data reconciliation with a third party audit performed by E&Y, the evidence shows that the data reconciliation was hopelessly flawed. Until late June, SBC had conspicuously avoided business discussions about the reconciliation. When it finally met with AT&T, however, it became clear that: (1) the reconciliation debits and credits due CLECs were not correctly calculated; (2) SBC has failed to rebut AT&T's prior showing of erroneous billing; and (3) SBC has failed to justify its refusal to restate the results of PM 17 as a result of the reconciliation.

III. SBC DOES NOT PROVIDE ACCURATE AND TIMELY BILLING INFORMATION TO CLECS.

10. To comply with its obligations under checklist item 2 of Section 271, SBC must demonstrate that it provides CLECs with complete, accurate, and timely reports on service usage of CLEC customers and complete, accurate, and timely wholesale bills.[9] SBC concedes that it uses the same billing system in each of the SBC Midwest states, and as a result, the problems that adversely affect CLECs in Michigan – as documented in the existing Michigan 271 proceeding – also impact SBC's billing performance in Illinois, Indiana, Ohio, and Wisconsin, creating significant problems for CLECs and their UNE-P customers.

11. As demonstrated in its Michigan 271 Comments, AT&T reviewed SBC's March wholesale bill for Michigan and identified over 28,800 telephone numbers for which there was some type of inconsistency between the records received from SBC (*i.e.*, CABS billing or Daily

[8] *See infra* ¶¶ 18-19.

Usage File ("DUF") and AT&T's end user billing systems.[10] Without undertaking further detailed review, however, AT&T could not rule out the possibility that some of these numbers on SBC's bill may have resulted from events (e.g., a customer disconnection late in the billing cycle) unrelated to an SBC billing error. Because it would have been impractical to conduct a manual review of all or even most of these numbers to determine the reason for each discrepancy, AT&T conservatively chose to review in detail only that subset of the seemingly erroneously billed numbers for which such conceivably benign explanations could be categorically ruled out. Of the 2,114 telephone numbers that AT&T then examined in detail, AT&T's records showed that SBC had erred in billing 1,941 – or 92 percent – of them. The 1,941 errors included 1619 instances of overbilling and 322 instances of underbilling.

12. AT&T also performed a follow-up review of its May wholesale bills for Michigan by reviewing the same telephone numbers that it identified as instances of overbilling on the March bills. AT&T found that 1527 (of the 1619) telephone numbers are still being erroneously billed to AT&T. Similarly, AT&T found that 177 (of the 322) instances of underbilling are still a problem. This follow-up review demonstrates that SBC has not caught these errors in any of its subsequent bills.

13. SBC has filed an *ex parte* letter in the pending Michigan 271 proceeding responding to AT&T's claims of overbilling and underbilling on the March wholesale bills.[11] In this *ex parte*, SBC asserts that "roughly 75 percent" of the discrepancies identified by AT&T are not

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[9] *Pennsylvania 271 Order* ¶ 13; *Qwest 9-State 271 Order* ¶ 115.
[10] AT&T Michigan 271 Comments at 26-27; DeYoung/Tavares Michigan Decl. ¶¶ 7-10.
[11] *See* Letter from James C. Smith to Marlene H. Dortch, WC Docket No. 03-138 (July 28, 2003) ("SBC July 28 Ex Parte").

due to errors by SBC. *Id.* at 2. AT&T has begun the time-consuming process of analyzing SBC's response, and its analysis is ongoing. The voluminous information in SBC's response was provided in the form of several spreadsheets, and AT&T's review has been hampered by SBC's failure to provide any summary of this information. Indeed, during a phone call on July 31, 2003, Becky Krost of SBC informed AT&T that SBC had prepared a summary of this information for its own use, but did not provide it to AT&T. SBC claimed that it did not provide the summary to AT&T because it did not believe it could do so in a way that would comply with the Commission's protective order in this proceeding. AT&T cannot identify any language in the protective order that would support this position.

14. At this point, AT&T has completed its review of one of the five exhibits in SBC's response.[12] This exhibit (Exhibit 1 of SBC's response) corresponds to AT&T's Exhibit 1, which was attached to the DeYoung/Tavares Michigan Declaration. AT&T's exhibit identified 456 instances in which a telephone number appears on the CABS wholesale bill, but not in AT&T's end user billing system ("RAMP"), is not (nor has it ever been) in AT&T's ordering system ("NLP"), and is not a telephone number for which AT&T receives Daily Usage File ("DUF") records.[13] AT&T has examined SBC's response and further examined its records, and confirmed that it is not receiving any usage records for 340 of the telephone numbers on this exhibit for which SBC does not accept responsibility.[14] Because SBC is not sending AT&T any usage

[12] AT&T's review of SBC's *ex parte* is still ongoing.
[13] DeYoung/Tavares Michigan Decl. ¶ 8.
[14] There were another 47 telephone numbers for which SBC admitted it had not supplied AT&T with the correct telephone number on the FOC and which were coded as attributable to "SBC error." However, AT&T is not receiving usage for these telephone numbers either.

information for these telephone numbers, SBC has not demonstrated that these phone numbers belong to AT&T customers and that AT&T should be billed for these lines.

15. SBC also accepts responsibility for 25% of the errors on the March bill. For example, SBC conceded that some of the errors were due to the fact that it erroneously sent line loss notifications to AT&T. As a result, AT&T stopped billing the customers for the lines, but SBC continued to bill AT&T. As another example, SBC admitted that it did not assign the telephone number that AT&T had requested and failed to provide notification on the Firm Order Confirmation ("FOC") of the telephone number change.

16. Thus, far from demonstrating that 75% of the errors are attributable to AT&T, SBC's analysis for the most part simply attempts to shift the burden of proving the inaccuracy of its billing systems to AT&T. Most of the instances in which SBC asserts that there is an AT&T error are instances in which AT&T's and SBC's systems do not agree, and AT&T, in turn, asked SBC to undertake further investigation to determine why it would be that AT&T would not be getting usage for the vast majority of the telephone numbers on the Exhibit.

17. Thus, the record demonstrates the existence of unaddressed errors in SBC's billing systems. In particular, they demonstrate that the data reconciliation was not a "magic bullet" that resolved all of SBC's billing problems as SBC seeks to claim. As DOJ concluded in Michigan, "the number of those errors and the reasons they have occurred suggest that there may be an underlying problem."[15] In particular, DOJ suggests that "[t]he problems may lurk at a deeper

[15] Michigan DOJ Eval. at 8.

level, perhaps in the underlying databases from which bills are calculated and in the processes by which data is entered into and extracted from those databases."[16]

18. SBC relies on the third-party testing of BearingPoint and E&Y to support its assertion that its wholesale billing satisfies the checklist,[17] but neither test verified the accuracy of SBC's bills. AT&T has demonstrated in previous filings that the BearingPoint testing provides no support for SBC's position.[18] As AT&T explained, BearingPoint conducted much of its testing of UNE-P order processing prior to the period that hundreds of thousands of orders were being held for processing by SBC and well before the January 2003 data reconciliation. Moreover, BearingPoint's testing would not have uncovered any of the problems at issue in the data reconciliation because BearingPoint did not use real customer orders but relied on orders generated by its pseudo-CLEC. Thus, it did not examine any of the 750,000 CLEC orders that were subject to SBC's "hold" in connection with the CABS conversion. Thus, given that BearingPoint did not examine these hundreds of thousands of held orders or the causes of the held orders, it cannot provide support for SBC's claim that its wholesale billing, in light of the reconciliation, is accurate. Finally, BearingPoint has done no testing *in any state* after the data reconciliation to determine whether the problems identified in the data reconciliation have been resolved, and thus SBC (and the Commission) can draw no comfort from the BearingPoint testing.

19. Nor does the E&Y testing support SBC's position. The E&Y test served a very limited purpose: "[T]o test the Company's assertion regarding the methodology and results of

[16] *Id.* at 9.
[17] *See* SBC Brief at 81-86.

the [January data] Reconciliation, and the CLEC UNE-P billing adjustments that were issued as a result thereof."[19] All the data reconciliation did was to reconcile two sets of internal SBC records, the Ameritech Customer Information System ("ACIS") database and the Carrier Access Billing System ("CABS") database. E&Y did not review the underlying accuracy of the database information. E&Y is clear on this point: "For purposes of the Reconciliation, when there were discrepancies between ACIS and CABS, the ACIS data was assumed to be accurate and was utilized to update CABS. . . . [T]he underlying accuracy of the UNE-P circuit information within the ACIS database . . . was not within the scope of E&Y's engagement."[20] Nor did E&Y address the root cause for the inconsistencies in the two SBC databases. Thus, E&Y did not examine the role of various problems with SBC's systems in creating the mismatch. Because these issues have never been addressed, there can be no assurance that the problem(s) that caused the inconsistencies have been resolved and will not recur. Indeed, the errors that AT&T identified on recent bills demonstrate that these problems are continuing to recur.[21]

20. Although AT&T cannot know the root cause(s) of the problems with SBC's billing systems in the SBC region, some of the available evidence points to inaccuracies in the ACIS database (which E&Y simply assumed to be accurate). The problems with the wholesale bills,

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[18] *See* Supplemental Comments of AT&T, at 6-7, WC Docket No. 03-16 (April 9, 2003).
[19] E&Y Report of Independent Accountants on the Company's Assertion Dated June 17, 2003, at 1, WC Docket No. 03-138 ("E&Y Report") (Attachment A to the June 2003 Affidavit of Brian Horst).
[20] E&Y Report at 4 n.5; *see also id.* at 4 n.7 ("the accuracy of the underlying information in each of those existing production data sources . . . was not within the scope of E&Y's engagement").
[21] The SBC Application materials in this proceeding make clear that AT&T's bills were among those audited by E&Y. SBC's disclosure of AT&T's wholesale bills to E&Y, without AT&T's written consent, was a clear breach of the Proprietary Information Provisions of its interconnection agreement with AT&T. SBC blatantly disregarded its obligations under the ICA in order to advance its Section 271 objectives.

for example, call into question the underlying accuracy of the information contained in ACIS. In addition, in states where SBC does not use ACIS, SBC has agreed to performance measurement standards that it is unwilling to agree to in the SBC Midwest region. For example, SBC and CLECs are discussing the addition of a new PM 17.1 to measure the timeliness of the posting of orders in ACIS to the CABS billing system. Prompt posting is critical to AT&T's ability to have auditable bills. When CABS billing does not commence until the month after AT&T places an order, it may have to accrue these amounts at year-end – a financial disadvantage that can have considerable competitive impact. AT&T proposed that SBC Midwest implement the same 17.1 standard that SBC Southwest implemented in Texas (a state where SBC does not use ACIS) – 95% within 5 days. SBC has not agreed to this proposal and instead insists that, based on its own internal data, the best it can do in the SBC-Midwest region is 95% within 10 days.[22] SBC's inability to agree to the Texas PM 17.1 standard in the SBC Midwest region suggests that the fundamental problems in SBC Midwest's billing systems may somehow be linked to ACIS and that these problems were not resolved by the ACIS-CABS reconciliation. No other RBOC needs as long as Ameritech does to post orders to its billing system. In fact, the longest interval in a state for which an RBOC has received 271 approval is 5 days.

[22] In performance measure workshops, SBC has explained that the ACIS process of closing an order and sending the order completion to CABS takes several days. Each step required to move a completed order in ACIS to a billing completion notice from CABS is done via a batch process, which is completed only once per day. Moreover, an error free order will take at least five days to generate a billing completion notice, and there are several steps in the process that can generate errors, which must be manually corrected. Those corrected orders are then sent back through the batch process. Mr. Brown asserted in the last billing collaborative (held June 26, 2003) that, due to improvements in the error correction process, *see* Brown/Cottrell/Flynn Affid. ¶¶ 53-57, SBC would be willing to move from a commitment to send billing completion notices within 20 days, to 10 days, but could not commit to a shorter time frame.

21. The problems identified by AT&T in its March and May bills are only part of the problem with SBC's billing systems. SBC admits in its Application that numerous other serious problems have arisen in its billing systems, all of which cast further doubt on the underlying integrity of the software and systems. For example, SBC admits that (1) SBC Midwest recently discovered that it had previously billed incorrect UNE loop rate zones for several Michigan wire centers[23]; (2) a software error led to incorrect classification of requests for new stand-alone 2-wire analog residential loops as business loops[24]; and (3) a human error caused CLECs to be incorrectly billed at access rates for end office integration facilities.[25] Moreover, SBC recently issued an Accessible Letter disclosing that a coding error related to a software release resulted in errors in the DUF file records.[26] Finally, just two weeks ago, SBC issued an Accessible Letter disclosing that an ordering system error introduced with the March 25, 2003 OSS release resulted in incorrect billing for UNE-P circuits. This error impacted over 450 AT&T accounts alone, and is the result of SBC's continuing line loss notification problem.[27]

22. In addition, on July 16, 2003, SBC disclosed new errors that will be reflected in adjustments to the June and July bills. Specifically, SBC advised AT&T that it performed an investigation of monthly rate charges and that this investigation uncovered several errors causing both overbilling and underbilling.[28] For example, SBC advised AT&T that it erroneously billed AT&T the wrong loop rate in the Ameritech states due to a loop zone misclassification error.

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[23] Brown/Cottrell/Flynn Affid. ¶¶ 105-110.
[24] *Id.* ¶¶ 119-23.
[25] *Id.* ¶ 147.
[26] *See* Letter from Geoffrey M. Klineberg to Marlene H. Dortch, WC Docket No. 03-138 (June 26, 2003) (attaching Accessible Letter).
[27] *See* SBC Accessible Letter, CLECAMS03-051 (July 24, 2003) (attached hereto as Exhibit 4).
[28] Joint Reply Declaration of Sarah DeYoung and Shannie Tavares, at ¶¶ 9-17, WC Docket No.

AT&T's review of its June bills shows that the debits and credits associated with this error totaled over $4 million.[29] Notably, SBC provided no information to AT&T that would enable it to determine whether SBC's "corrections" were performed accurately. Rather, SBC simply stated that these adjustments would appear on AT&T's bills. SBC has not, for example, provided AT&T with any information about the specific wire centers that were impacted, the number of loops changed in each wire center, or the different classifications applied to the affected wire centers before and after the adjustments. Nor did SBC disclose the methodology that it employed to determine the adjustments, except to disclose that it applied the same erroneous limitations on credits as had been applied in connection with the reconciliation. Thus, SBC simply expects AT&T (and presumably other affected CLECs) to trust that SBC performed the corrections accurately, even though the same SBC systems that produced the adjustments were also responsible for the errors.

23. SBC also advised AT&T on July 16 that it would be making adjustments to MRCs resulting from an error on the identifier for the application of charges for Directory Assistance Call Completion ("DACC") and Operator Assistance ("OA") that caused operator assisted calls to be double-billed and DACC calls to be improperly billed in accordance with a retail tariff.[30] This error affected all five states in the SBC Midwest Region. Prior to SBC's disclosure, AT&T had noticed a large credit on its June consumer services bill (over $500,000) and a credit on its

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03-138 (July 21, 2003) ("DeYoung/Tavares Michigan Reply Decl.") .

[29] When SBC first provided information to AT&T on the adjustments resulting from this loop zone error on July 16, 2003 SBC's representative indicated that she did not have data for Michigan. SBC has never provided the Michigan data to AT&T, but a review of the June bills suggests that the adjustments in Michigan caused the Ameritech region adjustment to result in a net credit to AT&T. A review of the July bill may reveal additional adjustments.

[30] *See* Brown/Cottrell/Flynn Affid. ¶ 146 n.141.

business services bill (almost $20,000), but the reason for the credits was not clearly identified on the bills. When AT&T received the June bill, it called SBC in an effort to gain an understanding of the credit. At that time, no explanation was provided to AT&T. Indeed, it was not until AT&T's discussion with SBC (a week later) that SBC's after-the-fact explanation made clear that these credits related to the DACC and OA error.

24. As the DACC/OA example reveals, SBC often does not notify CLECs of errors prior to issuing billing adjustments and does not clearly notate and explain the adjustments on the bills. As a result, AT&T cannot effectively audit SBC's bills. No matter how carefully AT&T reviews a bill, that review is meaningless unless AT&T can determine the basis for particular debits and credits. Where it cannot, as in the case of the DACC/OA error, AT&T must rely on SBC's disclosures to reveal it. Notably, SBC Midwest's practice of failing to give advance notice of billing adjustments stands in stark contrast to AT&T's experience with SWBT and Pacific Bell, which typically do provide advance notice of billing adjustments.

25. SBC also identified several other adjustments applied to AT&T's bills. One – relating to the incorrect application of Daily Usage File ("DUF") rates in Indiana – is significant because it further demonstrates that the lack of an orderly process for identifying and correcting errors impedes the auditability of SBC's bills. In this case, while AT&T had advance notice of this DUF adjustment, SBC had previously advised AT&T that it would need to negotiate a contract amendment in order to receive the adjustment. On the call, however, SBC informed AT&T (for the first time) that the contract amendment solution was apparently being overridden and that SBC was going to issue AT&T a credit for the DUF charges. SBC did not reveal when this credit will appear on the bill.

26. AT&T also recently discovered that SBC has been improperly charging AT&T the new installation non-recurring charge ("NRC") on certain "No Field Work" or "cut through" orders, even though SBC is not actually performing the field work that those NRCs are designed to recover. As explained in the Declaration of Sarah DeYoung and Walter Willard, the imposition of NRCs on cut-through orders violates TELRIC principles and violates provisions of AT&T's interconnection agreements with SBC.[31] AT&T personnel will now have to devote substantial resources to investigating and documenting claims for the improper billing of NRCs. AT&T currently estimates that in April and May of 2003 alone, these improper non-recurring charges amounted to almost $235,000 in Illinois, Ohio, and Michigan.

27. The lack of integrity in SBC's billing process causes substantial problems for AT&T. First, any overbilling imposes a direct cost on AT&T. Further, underbilling errors require AT&T to accrue for amounts that it expects to be backbilled.

28. Moreover, even assuming that the errors are eventually corrected, the time and resources required to identify and resolve these billing problems in itself imposes substantial costs on AT&T. Continual errors and restatements require the commitment of massive resources to identify and review SBC's adjustments, as well as to work through questions and disputes with SBC. For example, AT&T's analysis of the March wholesale bill for Michigan was a labor-intensive process that required more than two months to complete. As a result of such difficulties, the AT&T employees who address SBC billing issues spend approximately 70% of

[31] AT&T only discovered this problem after it filed comments in connection with SBC's Michigan application.

their time on the SBC Midwest Region, and the remaining 30% of their time on the former SWBT and Pacific Bell regions combined.

29. The competitive impact of the time and resources that AT&T must divert to addressing SBC's billing problems is substantial. AT&T currently has two full-time employees in the Billing Management organization who are supposed to address billing issues for SBC, Qwest and Sprint. Currently, they are forced to devote the vast majority of their time to addressing billing issues in SBC's Midwest region, and are unable properly to address billing issues that arise in other states that are within their responsibility. In addition, because they must constantly react to and address a never-ending stream of problems and restatements by SBC in its Midwest region, they do not have time proactively review the bills in the Midwest region (or anywhere else). Not only are routine questions left unanswered as a result (*e.g.*, can AT&T validate the working telephone numbers on a particular bill), but investigation of substantial apparent discrepancies in Ameritech's wholesale billing are deferred in order to address the errors that Ameritech has already identified. For instance, AT&T has noticed that there is a large discrepancy between the DUF usage that it is receiving and the usage-related elements on the wholesale bill, but has not yet had time to pursue this issue in depth with Ameritech because of the other issues that have arisen. Thus, AT&T billing personnel cannot perform other critical tasks because they are always putting out fires.

30. Further, additional AT&T personnel must devote substantial time to investigating and resolving major issues that arise. For example, as discussed above, the initial review of the March wholesale bill took over 564 personnel hours to complete, and AT&T employees have already spent approximately 256 hours analyzing and responding to the spreadsheets that SBC

provided with its July 28 *ex parte*. Many more additional hours will need to be spent on this project to review the remainder of the *ex parte*. Indeed, the diversion of resources away from performing other critical tasks is extremely disruptive to AT&T's business operations and is hindering its ability to compete. As a result, AT&T is seriously exploring hiring a consultant to perform a full-scale audit of Ameritech's billing systems and has obtained an estimate from an outside consultant for performance of that work, which will likely total between *** *** . This estimate can reasonably be viewed as a proxy for determining the financial impact stemming from the inauditability of Ameritech's wholesale bills.

31. Indeed, SBC itself acknowledges that analyzing AT&T's claims associated with the March bill is a time-intensive endeavor.[32] The time and resource costs of identifying and resolving billing errors is precisely why SBC (and other RBOCs) are required to demonstrate the accuracy of their wholesale bills before they receive Section 271 authorization. When CLECs cannot have confidence that the bills are accurate, they must devote enormous resources to auditing bills and resolving disputes, which prevents them from competing with the RBOCs on a level playing field.

32. Finally, SBC's failure to maintain accurate billing systems is conduct that is undercutting AT&T's and other CLECs' efforts to compete effectively with SBC. As matters now stand in the SBC Midwest Region, AT&T simply has no way of knowing, month to month, what its costs are, or whether it is operating profitably or not. Getting a timely bill from the principal supplier of inputs for one's business is not helpful if, one, or two, or three, or even more months later, that supplier is apt to come back and say (as SBC did in January) "Oh, by the

way, we are also debiting you an additional $3.3 million." To be an effective competitor in a service business with margins as narrow as those for local telephone service, a business needs to know, with precision, what its costs are. That information determines, among other things, the pricing that a competitor can offer its customers, the promotions and packages it can offer new customers, and the level of service and commitment it can make to one state as opposed to another. For this reason, SBC's continuing inability to provide the basic and essential information of an accurate wholesale supplier is seriously compromising the growth and vitality of local competition in the Ameritech states.

33. Finally, AT&T cannot properly bill its customers without accurate usage records from SBC. Ultimately, AT&T's reputation is at stake. AT&T as a new service provider in the local exchange market must seek to win new customers based on its reputation for reliability, and that reputation suffers if it becomes known that AT&T issues inaccurate bills to customers or issues bills to customers that have migrated to another provider.

IV. THE DATA RECONCILIATION WAS FLAWED.

34. As demonstrated above, SBC's attempt in its current application to "validate" the results of the reconciliation with the E&Y review is ultimately beside the point because SBC's billing systems still are not producing accurate wholesale bills. Even if the reconciliation "worked as designed" and "achieved a high success rate," as SBC contends,[33] problems demonstrably remain in SBC's billing systems and these problems preclude SBC from satisfying its checklist obligation to provide accurate wholesale bills.

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[32] SBC July 28 Ex Parte at 2; Brown/Cottrell/Flynn Affid. ¶ 154 & n.147.
[33] *See* Brown/Cottrell/Flynn Affid. ¶¶ 59, 65.

35. Nevertheless, the data reconciliation, and SBC's recent attempts to "validate" it, are significant to this proceeding for two reasons. First, the results of the reconciliation itself demonstrate that SBC's billing systems are profoundly flawed and unreliable, and that it cannot satisfy the competitive checklist. The flaws in SBC's billing systems that made the data reconciliation necessary plainly are a checklist violation. According to SBC's own admissions, as a result of the reconciliation, in Michigan alone approximately 76,000 UNE-P circuits were added and 62,000 UNE-P circuits were deleted for 37 CLECs. This represents a total of 138,000 UNE-P circuits in a state with fewer than one million UNE-P lines. This error rate represents a staggering number of customers that were not properly reflected in their CLEC's wholesale bills.

36. Given the level of errors, it is not surprising that SBC has *never* publicly disclosed – and nowhere mentions in this current application – the number of affected circuits for all CLECs in the four states that are subject of this application. The impact to AT&T in the four application states is as follows: (1) for Illinois, 17,273 UNE-P circuits were added and 6,843 UNE-P circuits were deleted, with OC&C debits of approximately $1,807,000 and OC&C credits of approximately $606,000; (2) for Indiana, 165 UNE-P circuits were added and 141 UNE-P circuits were deleted, with OC&C debits of approximately $7000 and OC&C credits of approximately $7500; (3) for Ohio, 7734 UNE-P circuits were added and 2609 UNE-P circuits were deleted, with OC&C debits of approximately $411,000 and OC&C credits of approximately $146,000; and (4) for Wisconsin, 123 UNE-P circuits were added and 26 UNE-P circuits were deleted, with OC&C debits of approximately $2175 and OC&C credits of approximately $800

37. Although SBC claims that the checklist violation has been fully corrected, it has never addressed, much less answered, three critical questions: (1) Has SBC identified all of the

root cause(s) of this extraordinary volume of billing errors? (2) What are the system changes that SBC has made to ensure that its wholesale bills, in the future, will be accurate? (3) And what is the proof that those changes have been successfully made? Because SBC has failed to demonstrate that it has taken corrective action, the Commission can have no assurance that SBC's billing systems are functioning correctly and that the same or similar problems will not arise again. Moreover, the continuing errors on the wholesale bills of AT&T and other CLECs demonstrate that the billing problems have not been fixed and that the checklist violation still exists. Accordingly, the Commission cannot make a reasoned finding that the checklist violation has been cured.

38. Second, SBC has not been forthcoming with either the Commission or CLECs with respect to its billing problems, the reconciliation and how it was conducted, or how CLEC bills were adjusted. Even though the reconciliation took place in January, and AT&T and other CLECs repeatedly requested SBC to explain the methodology underlying the reconciliation, SBC provided only bits of information over time, with many questions still remaining. This started with the cryptic Accessible Letters about the billing issues, continued with its explanation to AT&T that the reconciliation would address SBC's line loss notification problem, and its footnote mention of the reconciliation in its original application, in which SBC claimed that the data reconciliation was merely a "final quality assurance measure."[34] This was followed by multiple *ex parte* submissions, reply comments, and additional declarations. But it was not until

[34] Affidavit of Michael E. Flynn, at ¶ 9 n. 6, WC Docket No. 03-16 (January 16, 2003).

its April 3 *ex parte* filing – on day 77 of the initial Michigan application, that SBC first admitted to the magnitude of the billing errors that led it to undertake the reconciliation.[35]

39. SBC's current application does not provide a full explanation of the billing errors either. As discussed above, the E&Y audit provides no assurance that the reconciliation cured the checklist violation. And its billing affidavit and disclosures to AT&T in business-to-business discussions reveal that: (1) SBC has not correctly calculated the reconciliation debits and credits due CLECs; (2) SBC has failed to rebut AT&T's prior showing of erroneous billing; (3) SBC has failed to justify its refusal to restate certain performance measures; and (4) SBC's attempts to downplay notwithstanding, SBC has significant billing disputes with CLECs. Those issues are discussed below.

A. The Credits And Debits Resulting From The Reconciliation Were Not Correctly Calculated.

40. It was not until AT&T reviewed SBC's Michigan application materials, and had a phone meeting with SBC personnel on Friday, June 20, 2003, that it first learned how SBC calculated the debits and credits resulting from the reconciliation. During the phone meeting, the participants discussed a handout provided by SBC that sought to explain its calculations. That handout is attached to this Declaration as Exhibit 1.

[35] In the SBC July 28 Ex Parte (at 1), SBC complains that AT&T is raising billing issues in this proceeding instead of discussing billing issues on a business-to-business basis. In light of SBC's efforts to hide its wholesale billing problems from both CLECs and regulators, SBC has no one to blame but itself for the manner in which the billing issue has been raised in these proceedings. It is SBC that filed these various Section 271 applications prior to complying with its Section 271 obligation to establish workable wholesale billing operations, and as a result, AT&T has had no choice but to raise these wholesale billing problems before the Commission to rebut SBC's rosy claims about its wholesale billing systems.

41. Having reviewed SBC's new materials explaining its debit and credit calculations, and having discussed these materials with SBC personnel, AT&T identified several problems with SBC's calculations, which are described below. On July 2, 2003, AT&T sent a letter to SBC concerning the deficiencies with the reconciliation. *See* Letter from Sarah DeYoung to Thomas Harvey (July 2, 2003) ("AT&T Letter") (attached hereto as Exhibit 2). SBC responded on July 15, 2003, *see* Letter from Thomas Harvey to Sarah DeYoung (July 15, 2003) (attached hereto as Exhibit 3), and provided additional information in the Brown/Cottrell/Flynn Affidavit. As discussed below, however, SBC's response is for the most part no response at all.

42. SBC admitted to AT&T during the June 20 phone call that the connect and disconnect dates for individual circuits on multi-line accounts are not contained in the ACIS database. However, even though ACIS contains that information for single line accounts, SBC did not use it in the reconciliation. Moreover, SBC admitted that it cannot in many cases substantiate the connect or disconnect dates *at all*. *See* Exhibit 1 at 6 (describing procedures used when SBC could not substantiate connect or disconnect dates).

43. SBC's handout (at 6) explains that when calculating credits, it used the day before the next billing period in February as the "start" date for the credit. To determine the credit "from" date, however, SBC explained that it relied on certain "archived information," the source of which it did not disclose during the meeting. In any event, the "archived information," whatever its source, did not always contain disconnect dates. Accordingly, where SBC could not substantiate the disconnect dates, the "from" date that it used was "the start date of the circuit of equipment from CABS as a surrogate."

44. SBC now states that "there were some circumstances where actual connect and disconnect dates could not be determined *mechanically*,"[36] but it has provided no explanation of why this is so, or the number or percentage of circuits for which this is so. SBC further asserts that "[i]n each case where the actual start and stop dates could not be determined *mechanically*, SBC took the conservative approach to either credit back to the start date of the circuit, essentially providing over credits to CLECs, or not seeking to back bill, resulting in under debits to the CLECs."[37] This response fails to address the substance of AT&T's argument, which is that SBC's methodology misses the mark. For example, as AT&T explained in its July 2 letter (at 2), in instances in which AT&T was owed a credit, which means that the telephone number was no longer in ACIS but was in CABS, SBC should have used the CABS start date as the "from" date in all cases unless the circuit disconnect date could be firmly established (i.e., from ACIS). Only use of the CABS start date in all such cases ensures that AT&T receives the full credit that it is due. SBC did not provide a substantive response on this issue in its July 15 letter, and has failed to explain in its application why CLECs should accept its unspecified source for the disconnect date, or how often it relied on that data, instead of CABS, for its findings.

45. SBC's Michigan application materials and handout also explained that it limited or capped credits "based on contractual agreement timeframes."[38] This disclosure contradicted SBC's prior representations to AT&T that there were no time limitations on the credits, such that the credits went back to the date that billing commenced on the telephone number. In any event, AT&T advised SBC that SBC had improperly limited AT&T's credits based on contractual time

[36] Brown/Cottrell/Flynn Affid. ¶ 162 (emphasis in original).
[37] *Id.* (emphasis in original).
[38] Exhibit 1 at 5; *see also* Brown/Cottrell/Flynn Affid. ¶ 163 ("SBC Midwest applied credits and

frames because there is no provision in the interconnection agreement that would operate to limit the duration of credits. AT&T Letter at 1-2. SBC asserted in its response, without explanation, that it is relying on General Terms and Conditions §§ 27.2 and 28.2 of the Michigan interconnection agreement. SBC Letter at 1. Neither provision provides a basis for limiting AT&T's credits. Section 27.2 (Billing Information and Charges) provides general guidelines for billing and limitations on backbilling (i.e., debits), and thus cannot provide any support for SBC's position. Nor does Section 28.2 provide support for SBC's position. That Section provides as follows:

> 28.2.1 Billing Disputes Related to Paid Amounts.
>
> 28.2.1.1. In order for a Billed Party to dispute all or a portion of amounts it has previously paid, it must:
>
> 28.2.1.1.1. within eleven (11) months of AT&T's receipt of the bill in question, give written notice to the Billing Party of the amounts it disputes ("Disputed Amounts") and include in such written notice the total amount disputed and the specific details and reasons for disputing each item . . .

As the language demonstrates, reliance on Section 28.2. is nonsensical because it only applies to billing disputes initiated by the "Billed Party," i.e., AT&T. That is, its purpose is to limit AT&T's ability to initiate disputes about amounts paid more than eleven months in the past. It does not address the situation where, as here, credits were applied by the Billing Party – i.e., SBC – and were the result of admitted systems failures that caused billing inaccuracies. It is unsurprising that the ICA does not contain language to support SBC's credit limitations. On the retail side, AT&T does not apply such time limitations to credits provided to end user customers, and AT&T believes that this is the industry practice.

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debits consistent with the CLECs' interconnection agreements").

46. SBC's calculation of the debits is equally problematic. SBC explained to AT&T during the phone meeting that debits were calculated back to the date that SBC first billed AT&T for usage.[39] In AT&T's view, SBC's use of usage records to determine the "from" date for debits is inappropriate.[40] In any event, AT&T has already shown that SBC's usage data lacks integrity.[41] Indeed, as discussed below, SBC has failed to rebut AT&T's showing that SBC erroneously submits usage messages to AT&T for customers that SBC's own records show are no longer AT&T's customers.

47. In addition, SBC also revealed that there were telephone numbers in ACIS for which it had no CABS or usage records. For these telephone numbers, SBC did not issue a debit, but nevertheless commenced monthly recurring charges ("MRC") billing with the next billing period.[42] Such MRC billing is inappropriate. The lack of usage on these telephone numbers strongly suggests that the ACIS records are not accurate, since it is unlikely that customers would have no usage whatsoever. During the meeting, SBC would not disclose the number of telephone numbers for which it commenced MRC billing as a result of the reconciliation. This is

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[39] SBC's handout (at 6) states that when calculating debits, SBC used the day before the next billing period in February as the "start" date for the debit, and used the "start date of circuit or equipment from CABS" as the "from" date in cases where the connect date could be substantiated. During the phone meeting, SBC admitted that there was a mistake on this portion of its handout and that the reference to CABS was erroneous and should have been to ACIS. SBC then further admitted that ACIS does not contain connect dates (as explained above), and that SBC actually used usage records to determine the "from" dates for debits.

[40] SBC concedes that it determined circuit "start" and "stop" dates based on the "CAMPS usage guide," which is a file that SBC has been reluctant to share information about, but has described generally as a file used to distribute usage. Brown/Cottrell/Flynn Decl. ¶ 162 n.160. Thus, SBC is splitting hairs in pointing out that it did not rely directly on the usage data itself, *i.e.*, the DUF records. *Id.*

[41] AT&T April 14 Billing Ex Parte; Comments of AT&T Corp., at 30-31, Docket No. 03-138 (July 2, 2003); *see infra* ¶¶ 48-52.

[42] Exhibit 1 at 6.

yet another example of SBC failing to fully explain the extent of its wholesale billing problems. AT&T raised this issue in its letter (at 2-3), but SBC did not provide a substantive response.[43]

B. SBC Has Failed To Rebut Examples Of Errors Raised By AT&T.

48. In its April 14 Billing Ex Parte submitted in the prior Michigan 271 proceeding, AT&T demonstrated that SBC's own records show that SBC is not generating accurate bills for UNE-P usage. Specifically, a comparison of SBC data reconciliation records with SBC's usage data provided to AT&T (and placed in AT&T's unbillable usage records) demonstrated that SBC was providing usage detail to AT&T for customers that SBC's own records showed were no longer AT&T customers. AT&T determined that for a six-month period in Michigan alone, SBC erroneously submitted usage messages to AT&T for at least 187 telephone numbers. In the *ex parte*, AT&T submitted on a confidential basis nine illustrative examples (from the 187) of SBC's erroneous assignment of usage messages.

[43] In its April 14 Billing Ex Parte, AT&T described that SBC had sent to it in early March a list of telephone numbers that had been erroneously excluded in the reconciliation (the "Second List"). April 14 Billing Ex Parte at 2 n.6. Just last month, SBC disclosed that it had failed to advise AT&T of yet another 238 telephone numbers that it had erroneously excluded in the reconciliation, and provided that list to AT&T. The fact that SBC could still be generating lists of errors associated with the reconciliation belies SBC's repeated assertions that the reconciliation was done accurately and has corrected all of SBC's billing problems. *See, e.g.*, Brown/Cottrell/Flynn Affid. ¶ 8 ("Ernst & Young has performed an independent third party verification of the CABS/ACIS reconciliation and found that it was nearly perfect"); *id.* ¶ 59 ("E&Y's findings conclusively establish that SBC Midwest implemented the reconciliation properly and achieved a high success rate"); *id.* ¶ 65 ("[I]t is clear from E&Y's findings that the updating of the CABS database worked as designed"). Nor can SBC continue to claim that it has provided CLECs with all of the information that they need, either on the OC&C section of the wholesale bill or otherwise, in order to determine the results of the reconciliation. Indeed, SBC's latest disclosure leaves AT&T wondering how many more mistakes are associated with the reconciliation, and how many more lists of incorrect telephone numbers it will receive.

49. Even though two months passed between the time this information was provided to SBC and the filing of SBC's supplemental Michigan application, SBC never responded to AT&T on these nine examples in a business setting. Instead, SBC responded to these examples for the first time in the materials submitted with its supplemental Michigan application.[44] SBC has simply repeated those responses in the materials submitted with the instant application.

50. SBC's responses are inadequate and fail to address the substance of the problem: AT&T is receiving usage records on disconnected customers.

- SBC admits error with respect to one example, explaining that the problem "was caused by a manual service order error."[45]
- SBC also admits error with respect to three other examples, explaining that the identified UNE-P circuits were mistakenly removed from billing during the data reconciliation.[46]
- SBC suggests that all of AT&T's examples "appear to be affected by AT&T's mistaken assumption that the "from" date in the OC&Cs generated from the UNE-P reconciliation is always the UNE-P circuit disconnect date,"[47] – a mistaken assumption caused by SBC's own failure to explain its dating methodology at an earlier date. Notwithstanding AT&T's erroneous assumption, SBC has failed to address the specifics of the four remaining examples by providing the appropriate disconnect date. Until it does so, SBC fails to meet its burden of showing that the billing for these examples is accurate.
- SBC complains about the format of the usage records provided by AT&T (which were simply truncated versions of the original EMI records provided by SBC), but this response does not address the substantive problem.[48]

51. SBC's erroneous assignment of usage messages presents a significant problem to CLECs. CLECs cannot recover the revenues associated with their customers' usage of the UNE-

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[44] *See* Supplemental Affidavit of Justin W. Brown, Mark J. Cottrell and Michael E. Flynn, at ¶ 137, WC Docket No. 03-138 (June 19, 2003).
[45] Brown/Cottrell/Flynn Affid. ¶ 159.
[46] *Id.*
[47] *Id.*

P based local service if SBC does not provide accurate customer usage information. SBC suffers no comparable impediments. Accordingly, SBC's failure to implement non-discriminatory systems for generating accurate UNE-P messages alone demonstrates that it has not fully implemented the competitive checklist.

52. In addition, SBC's erroneous assignment of usage messages undercuts the reliability of the data reconciliation. As demonstrated above, SBC used its own usage records to determine how far back to calculate debits. If usage messages are not being sent to the correct CLECs, then SBC's methodology for calculating credits is unsound.

53. In its April 14 Billing Ex Parte (at 5), AT&T gave one example of a telephone number for which it believed SBC imposed a non-recurring charge ("NRC") as a result of the data reconciliation. Having reviewed SBC's explanation of the coding used on the bill,[49] AT&T now understands that the NRC was not imposed as part of the reconciliation. But SBC's position that NRC's "were not generated as a result of the mechanical reconciliation process,"[50] raises additional questions. AT&T's own investigation of its wholesale bills showed that there were numerous telephone numbers for which AT&T was receiving a CABS bill and usage data for customers that have never been in AT&T's ordering system – *i.e.*, AT&T has no record of the customer in its databases. If, as AT&T suspects, SBC has inappropriately billed AT&T for customers that never received local service from AT&T (and did not just improperly continue to bill AT&T for customers after they had left AT&T), then AT&T should have received credits for

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[48] *Id.*
[49] *Id.*
[50] *Id.* ¶ 66 n.65.

not only the monthly recurring charges associated with the telephone numbers, but the non-recurring charges as well.

54. Finally, in its efforts to correct erroneous billing, AT&T has identified additional errors in the reconciliation, and has attempted to discuss these errors with SBC. For example, on May 23, 2003, AT&T provided SBC with data for 285 telephone numbers that AT&T believes show that the reconciliation for these telephone numbers was done incorrectly. AT&T's and SBC's first telephone meeting on these telephone numbers was on July 1, 2003. Interestingly, on the day of the call, SBC disclosed that it had previously "forgotten to send" AT&T yet another list of 238 telephone numbers that had inappropriately been disconnected in the reconciliation, and provided it to AT&T that evening. This list, however, did not account for the vast majority of the problems that AT&T identified on its list of 285 telephone numbers. On the July 1 call, which went for nearly two hours, SBC and AT&T were only able to get through a discussion of about 15 of the 285 telephone numbers. With respect to a number of the telephone numbers, SBC told AT&T that it still had more research to do. With respect to certain other telephone numbers for which there was apparent overbilling, SBC explained to AT&T that it would find information that would resolve the issue raised by AT&T (*i.e.*, evidence that SBC did actually show the telephone number as a "disconnect" on AT&T's bill) on a section of AT&T's bill that was not marked as being affected by the reconciliation. AT&T determined that it would take substantial research to determine if SBC's assertions are correct. In addition, time did not permit many other categories of errors to be discussed on the call.[51] This call illustrates the difficulties

[51] The amounts associated with these reconciliation adjustments are currently in dispute. It is SBC's burden to demonstrate that the appropriate adjustments have been made and it has not remotely fulfilled that burden.

with, and resource-intensive nature of, attempting to resolve billing disputes with SBC: a two hour call did not even come close to resolving the parties' differences with 15 telephone numbers, never mind the 285 telephone numbers that were supposed to be the subject of the call.

C. SBC Has Never Explained Why The Results For PM 17 Did Not Need To Be Restated After The Reconciliation.

55. PM 17 (Billing Completeness) is a billing completion timeliness measure that measures the percent of on-time service orders ("SOCs") in both ACIS and CABS that post within a 30 day billing cycle. SBC has conceded that this performance measurement "was affected by the inaccuracies in the CABS database."[52] After SBC performed the January reconciliation, AT&T requested that SBC restate this measure. In an *ex parte* letter, SBC asserted that "[n]o restatement of PM 17 is planned as a result of the reconciliation effort because the impact of the conversion effort has already been captured by this measurement."[53] In footnote 48 of the Brown/Cottrell/Flynn Affidavit, however, SBC now states that the January reconciliation "was accomplished by comparing the ACIS and CABS UNE-P records, eliminating the need to post backlogged service orders to CABS. Accordingly, those service orders were cancelled, and were not included in the PM 17 results." This "explanation" makes no sense. First, the explanations are inconsistent: SBC first claimed that the measure already captured the effects of its conversion effort, but now asserts that the backlogged service orders were not included in the performance measure results because they were cancelled. Moreover, SBC's cancellation of the admittedly "backlogged" service orders provides no justification for

[52] *See* Letter from Geoffrey M. Klineberg to Marlene H. Dortch, March 14, 2003, WC Docket No. 03-16, Attach. B at 3 ("SBC March 14 *ex parte*").

excluding them from the PM17 results, and this is yet another example of SBC seeking to avoid performance measure impacts from the failures of its wholesale billing systems. SBC must restate its PM 17 results and pay any applicable penalties for its abysmal wholesale billing performance.

56. Moreover, in its recent letter, SBC repeated its prior inadequate excuses for its unwillingness to restate the measure. SBC Letter at 2. Remarkably, however, SBC also advanced a new "it's so bad that it doesn't matter" defense for its failure to restate inaccurate performance measure data. SBC admits that its performance under this measure has long been deficient, but states that "there seems little to be gained" by restatement given that "CLECs have long been aware of SBC's deficient performance." *Id.* Such knowledge in no way relieves SBC of its obligation to accurately calculate the performance measures, even those for which its performance is clearly deficient. SBC's cavalier attitude toward its obligation to report accurate performance results no doubt helps explain why BearingPoint has not been able to complete its audit of SBC's metrics.

D. SBC's Attempt To Downplay The Significance Of The Billing Disputes Resulting From The Reconciliation Is Unavailing.

57. Having failed to address the substantive issue of the accuracy of its wholesale billing processes, SBC seeks to downplay the issue as "inevitabl[e]" and "a commercial fact of life."[54] There is nothing inevitable about it. SBC asserted that as of July 1, 2003 the "total amount in dispute between SBC Midwest and CLECs in Illinois, Indiana,

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[53] *Id.*, Attach. B at 3-4.
[54] *See* SBC Brief at 87.

Ohio, and Wisconsin was approximately $30.4 million."[55] Notwithstanding SBC's assertion in its Application that this total includes items such as "amounts relating to the ACIS/CABS reconciliation,"[56] its affidavit makes clear that this "total" conveniently ignores the disputes of AT&T (and perhaps other CLECs) with respect to the credited and debited amounts resulting from the data reconciliation itself. For AT&T alone, the disputed debited amount relating to the reconciliation is $3.3 million.

58. More fundamentally, SBC has not made clear whether its calculation includes only billing disputes that are the subject of formal dispute resolution procedures invoked by CLECs. As DOJ recognizes, such a calculation would grossly underrepresent the magnitude of SBC's billing problems because CLECs such as AT&T currently have significant billing disputes with SBC that are not the subject of formal dispute resolution procedures.[57]

59. Indeed, SBC's attempt to characterize its wholesale billing problems as routine is part of the problem. SBC has failed to devote the resources to addressing the underlying problem of its inaccurate wholesale bills and instead spends its resources on irrelevant testing by E&Y for purposes of this application. The problem, however, will not go away until SBC addresses the

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[55] *Id.* at 88.
[56] *Id.*
[57] DOJ Michigan Eval. at 7-8 n.39 ("[A] figure based only on whether a CLEC formally disputed a charge may not capture admittedly erroneous billed amounts and thus may understate the full magnitude of SBC's overall billing errors"). Indeed, AT&T does not use SBC's "formal dispute resolution process" in order to raise billing issues with SBC because it is completely unworkable. To raise an issue under that process, CLECs must separately identify each telephone number associated with a particular billing issue in dispute and submit those to SBC via e-mail. Trialing this process in Texas resulted in AT&T's receipt of hundreds of e-mail responses from SBC on single issues. *See also* Letter from Roderick S. Coy to Marlene H. Dortch, at 1, WC Docket No. 03-138 (July 14, 2003) (the CLEC Association of Michigan reports that of CLECs responding to a recent survey, CLECs responding that they have serious wholesale billing disputes with SBC

underlying accuracy issues, and further data reconciliations and considerable regulatory involvement will be "routine" unless the underlying problem is addressed.

60. In any event, SBC's assertion[58] that the percentage of bills disputed in the four application states is comparable to the percentages disputed in other states where SBC has received section 271 authority ignores that the billing systems used in SBC's Midwest Region are different from the billing systems used in these other states. None of the billing systems in these other states have exhibited the pervasive inaccuracies that made the January reconciliation necessary. Moreover, DOJ found SBC's similar comparison in the Michigan application unpersuasive because SBC offered "only one figure for the full 16-month period" and did not "offer any figures from which one could ascertain a meaningful trend."[59] The same is true here: SBC offered only a single figure for a 17-month period.[60] In addition, DOJ observed in Michigan that SBC's Michigan figure (12.1% of total billings disputed) "is significantly larger than Verizon's figures for the last two months available for the Commission's review in Pennsylvania."[61] DOJ's observation is even more true here: SBC claims dispute rates ranging from 13.1% to 19.4% for the four application states.[62]

V. CONCLUSION

61. SBC's continued billing errors demonstrate that SBC has not complied with its obligation to provide timely, accurate and auditable wholesale bills. SBC cannot be found to

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represent 87% of the total CLEC market share in Michigan).
[58] SBC Brief at 87.
[59] DOJ Michigan Eval. at 7-8 n.39.
[60] SBC Brief at 87.
[61] DOJ Michigan Eval. at 7-8 n.39.
[62] Brown/Cottrell/Flynn Affid. ¶ 130.

comply with this obligation until it can demonstrate that it can provide such bills to AT&T and other CLECs.

VERIFICATION PAGE

I declare under penalty of perjury that the foregoing Declaration is true and correct to the best of my knowledge and belief.

/s/ Sarah DeYoung_____
Sarah DeYoung

Executed on: August 6, 2003

VERIFICATION PAGE

I declare under penalty of perjury that the foregoing Declaration is true and correct to the best of my knowledge and belief.

/s/ Shannie Tavares_____
Shannie Tavares

Executed on: August 6, 2003

Exhibit 1

UNE-P Reconciliation Discussion

UNE-P Reconciliation

Description: A special set of programs developed to compare the UNE-P provisioning record maintained by ACIS with the corresponding CABS CSR. These programs analyzed any differences between these records and, on a circuit-by-circuit basis, updated the CABS CSR to match the ACIS record. Among other things, the reconciliation correctly updated the CABS CSRs with zero-rated USOC information from the ACIS database, and with correct UNE-P circuit ID information. Debits and credits were calculated for the circuits that were added and deleted from the CABS billing records, and these were posted to the next CLEC bill following the reconciliation.

Other considerations:

- The ACIS/CABS reconciliation process was executed during the week of January 20, 2003. For that five-day period, all new UNE-P service orders in the Midwest region were held after posting to ACIS, and were not processed for posting to CABS. On Monday, January 27, SBC began to process the service orders that were held from January 20-24 (service orders for January 27 were held while the prior week's orders were processed). On January 28, service orders for both January 27 and 28 were processed and, by January 29, billing service order processing was current for all states but Michigan (due to the higher order volume in that state). SBC continued to hold current day service order activity for Michigan, while processing the prior day's billing service orders, until January 30. By January 31, billing service order processing was current in all five Midwest states. (This did NOT impact the ordering, provisioning or posting of UNE-P orders to the ACIS database.)
- Non-recurring charges ("NRCs") were not generated as a result of the mechanical reconciliation process. There was no software logic or tables that impacted the non-recurring charges for the CLECs; the reconciliation only provided credits and debits relating to monthly recurring charges(MRCs). OC&Cs associated with the reconciliation are easily identifiable based on the term "RECON" in the Purchase Order Number ("PON") field or "RECONCILE" in the Service Order field.
- During the course of the reconciliation, SBC Midwest used a control table to determine the time period for which credits and debits should be applied to the billing for each customer. The dates used in the control table were based on the terms of individual CLEC interconnection agreements that generally govern the length of time that a CLEC or SBC can seek credits or debits for amounts owed as a result of inaccurate billing. If the CLEC's contract did not contain such provisions, the control table defaulted to either the first date CABS generated a UNE-P bill to the CLEC (if the CLEC had UNE-P circuits in place prior to the CABS conversion), or to October 1, 2001 (if UNE-P circuits were first provisioned for the CLEC after the conversion was

completed.) Usage charges were not impacted by the reconciliation. ACIS and SBC Midwest's AMA processing systems processed UNE-P order activity as normal without interruption.

- A manual reconciliation process was necessary for a subset of complex UNE-P products, including ISDN Prime, ISDN Direct BRI, Direct Inward Dialing and Digital Trunking, because ordering activity for these products normally requires manual intervention. Accordingly, SBC designed the mechanized reconciliation programming logic to exclude these products and proceeded to reconcile these records manually.

UNE-P Reconciliation Discussion

Reconciliation UNE-P Circuit and Equipment Matching and Corresponding Actions

The following table maps out at a high level the reconciliation matching conditions and the corresponding actions.

Circuit Matching and Action Matrix

Match condition	Action
• **On ACIS & on CABS**	**Update circuit equipment on CABS. (Generally no OC&Cs created for this condition.)**
• **On ACIS & *not* on CABS**	**Add circuit and equipment to CABS. (Generally) Debit OC&Cs are created for this condition.**
• **Not on ACIS & on CABS**	**Remove circuit and equipment from CABS. Credit OC&Cs are created for this condition.**

UNE-P Reconciliation Discussion

MRC OC&C Generation

MRC Credit and Debit dates – From and through dates used to initiate and terminate credit or debit.

- Generally come from the circuit and equipment records being inserted, removed or updated
- Must take into account Contractual agreements (as further described below)
- May take into account the UNE-P CABS conversion dates (as further described below)

MRC Rates – Contractual monthly charges for equipment

- Standard processes and rates used in normal daily order processing
- Must take into account prior rate changes

Contractual Agreements and How They Were Used

Contractual agreement timeframes between SBC Midwest and LOA and TPM

ACNA	State	Credit Timeframe	Debit Timeframe	Billing period
LOA	IL	12 Months	12 Months	13th
LOA	IN	11 Months	4 Months	6th
LOA	MI	11 Months	4 Months	8th
LOA	OH	12 Months[1]	12 Months[1]	9th
LOA	WI	11 Months	4 Months	22nd
TPM	IL	12 Months	12 Months	10th
TPM	IN	11 Months	4 Months	12th
TPM	MI	11 Months	4 Months	10th
TPM	OH	2 Months[2]	N/A[2]	12th
TPM	WI	11 Months	4 Months	10th

[1] Subsequent to the reconciliation the OH LOA contractual credit and debit timeframes were updated to 11 months for the credit timeframe and 4 months for the debit timeframe.

[2] When the reconciliation ran in January 2003, incorrect credit and debit timeframes (12 months and 12 months respectively) were used. The OH TPM credit and debit dates listed are correct. SBC undertook efforts to recalculate the correct debits or credits for TPM. Those adjustments were issued.

Limiting (Capping) Credit & Debit From dates

Limiting Credit and Debit MRC OC&C from dates: Dates used to limit (cap) credit and debit from dates derived from the table above

- Based on contractual agreement timeframes
- No credit or debit from date can precede the CABS conversion date (approximately 08/2001)
- If no contractual agreement timeframes exist, the limiting debit and credit from date will default to the ACNA's conversion date (approximately 08/2001)
- For AT&T the dates were established as outlined below

Limiting (Capping) Credit and Debit dates for LOA and TPM

ACNA	State	Limiting Credit From date	Limiting Debit From date
LOA	IL	2/13/2002	2/13/2002
LOA	IN	3/06/2002	10/06/2002
LOA	MI	3/09/2002	10/08/2002
LOA	OH	3/09/2002[3]	10/09/2002[3]
LOA	WI	3/22/2002	10/22/2002
TPM	IL	2/10/2002	2/10/2002
TPM	IN	3/11/2002	10/11/2002
TPM	MI	3/10/2002	10/10/2002
TPM	OH	12/12/2002[4]	9/07/2001[4]
TPM	WI	3/10/2002	10/10/2002

[3] Subsequent to the reconciliation the OH LOA contractual credit and debit timeframes were updated to 11 months for the credit timeframe and 4 months for the debit timeframe.

[4] When the reconciliation ran in January 2003, incorrect credit and debit timeframes (12 months and 12 months respectively) were used. The OH TPM credit and debit dates listed are correct. SBC undertook efforts to recalculate the correct debits or credits for TPM. Those adjustments were issued.

UNE-P Reconciliation Discussion

Establishing MRC OC&C From and Thru dates

MRC OC&C Credit (Circuit or equipment being removed from CABS)

Credit Start Date: The day before the next billing period in February 2003

Credit From Date:

Can equipment disconnect date be substantiated?

YES: Use disconnect date of circuit or equipment
No: Use start date of circuit or equipment from CABS as a surrogate

Compare date from above against Limiting Credit From date

Use the most recent of the two dates as the MRC OC&C Credit From date

MRC OC&C Debit (Circuit or equipment being added to CABS)

Debit Start Date: The day before the next billing period in February 2003

Debit From Date:

Can equipment start date be substantiated?

YES: Use start date of circuit or equipment from CABS
No: No debit OC&C can be created
(start MRC billing with next billing period)

Compare date from above against Limiting Debit From date

Use the most recent of the two dates as the MRC OC&C Debit From date

UNE-P Reconciliation Discussion

Reconciliation MRC OC&C From and Thru date examples

Example 1: TPM Illinois circuit ABC was not found on ACIS but was on CABS. Circuit effective date in CABS 3/18/2002. Disconnect date found to be 5/25/2002.

Action: Remove TPM Illinois circuit ABC from CABS and generate credit OC&C

OC&C Thru date: 2/09/2003 (Febuary/2003 billing period)
OC&C From date: 5/25/2002
Can equipment disconnect date be substantiated?

YES: Use disconnect date of circuit or equipment
No: Use start date of circuit or equipment from CABS as a surrogate

Compare date from above against Limiting Credit From date
5/25/2002 vs. 2/13/2002

Use the most recent of the two dates as the MRC OC&C Credit
From date: **5/25/2002**

Example 2: LOA Indiana circuit XYZ was not found on ACIS but was on CABS. Circuit effective date in CABS 3/18/2002. Disconnect date could not be determined.

Action: Remove LOA Indiana circuit XYZ from CABS and generate credit OC&C

OC&C Thru date: 2/05/2003 (Febuary/2003 billing period)
OC&C From date: 3/18/2002
Can equipment disconnect date be substantiated?

YES: Use disconnect date of circuit or equipment
No: Use start date of circuit or equipment from CABS as a surrogate

Compare date from above against Limiting Credit From date
3/18/2002 vs. 3/06/2002

Use the most recent of the two dates as the MRC OC&C Credit
From date: **3/18/2002**

UNE-P Reconciliation Discussion

Reconciliation MRC OC&C From and Thru date examples

Example 3: TPM Wisconsin circuit 123 was not found on ACIS but was on CABS. Circuit effective date in CABS 12/22/2001. Disconnect date could not be determined.

Action: Remove TPM Wisconsin circuit 123 from CABS and generate credit OC&C

OC&C Thru date: 2/09/2003 (Febuary/2003 billing period)
OC&C From date: 3/10/2002
Can equipment disconnect date be substantiated?

YES: Use disconnect date of circuit or equipment
No: Use start date of circuit or equipment from CABS as a surrogate

Compare date from above against Limiting Credit From date
12/22/2001 vs. 3/10/2002

Use the most recent of the two dates as the MRC OC&C Credit From date: **3/10/2002**

Example 4: LOA Illinois circuit 456 was found on ACIS but was not on CABS. Circuit effective date determined to be 3/18/2002.

Action: Add LOA Illinois circuit 456 to CABS and generate debit OC&C

OC&C Thru date: 2/12/2003 (Febuary/2003 billing period)
OC&C From date: 3/18/2002
Can equipment start date be substantiated?

YES: Use start date of circuit or equipment from CABS
No: No debit OC&C can be created
(start MRC billing with next billing period)

Compare date from above against Limiting Debit From date
3/18/2002 vs. 2/22/2002

Use the most recent of the two dates as the MRC OC&C Debit From date: **3/18/2002**

UNE-P Reconciliation Discussion

Reconciliation MRC OC&C From and Thru date examples

Example 5: LOA Wisconsin circuit DEF was found on ACIS but was not on CABS. Circuit effective date determined to be 4/10/2002.

Action: Add LOA Wisconsin circuit DEF to CABS and generate debit OC&C

OC&C Thru date: 2/21/2003 (Febuary/2003 billing period)
OC&C From date: 10/22/2002
Can equipment start date be substantiated?

YES: Use start date of circuit or equipment from CABS
No: No debit OC&C can be created
(start MRC billing with next billing period)

Compare date from above against Limiting Debit From date
4/10/2002 vs. 10/22/2002

Use the most recent of the two dates as the MRC OC&C Debit From date: **10/22/2002**

Example 6: TPM Wisconsin circuit GHI was found on ACIS but was not on CABS. Circuit effective date could not be determined.

Action: Add TPM Wisconsin circuit GHI to CABS and do NOT generate debit OC&C

OC&C Thru date: NA
OC&C From date: NA
Can equipment start date be substantiated?

YES: Use start date of circuit or equipment from CABS
No: No debit OC&C can be created
(start MRC billing with next billing period)

Compare date from above against Limiting Debit From date
NA

Use the most recent of the two dates as the MRC OC&C Debit From date: **NA**

Reconciliation Issues

- SBC Midwest's original ACIS extraction computer program contained an error that inadvertently excluded approximately 10,500 CLEC UNE-P circuit records from the Reformatted ACIS File as of January 17, 2003. Since the Reconciliation deleted CABS circuit records when there was no corresponding circuit record on the Reformatted ACIS file, these circuit records were deleted from CABS in error and OC&C credits were issued. Through its validation efforts, SBC identified this error and corrected the ACIS extraction computer program, re-ran that program in February and March 2003, and re-established these circuits in CABS without generating debits to the impacted CLECs.

- The E&Y audit found instances where the period utilized by SBC to backbill or credit CLECs did not agree with the contract language in the applicable interconnection agreement. The exceptions identified by E&Y had nothing to do with the CABS billing system or with the underlying rate tables. Rather, these exceptions are solely attributable to human errors in interpreting contracts to determine how far back to credit or debit CLECs' accounts based upon the particular language contained in the applicable Interconnection Agreement. SBC immediately undertook efforts to correct AT&T's effected circuits and to recalculate the correct debits or credits. Those adjustments have been issued.

- Approximately 13,500 CABS ISDN Prime circuits were not properly identified as complex circuits, were inadvertently included in the mechanical reconciliation process, and were deleted from the CABS database in error. These circuits were subsequently inserted back into CABS through the manual reconciliation process.

Exhibit 2

Sarah De Young
Division Manager
Local Services and Access Management

Room 2107
795 Folsom Street
San Francisco, CA 94107
Phone: 415 442 5506

July 2, 2003

By Email and First Class Mail

Mr. Thomas Harvey
Vice President – Industry Markets
SBC Corp.
350 N. Orleans, Floor 3
Chicago, IL 60654

Dear Thomas,

This letter is sent to update and reiterate AT&T's position on disputed backbilling and other related matters associated with the January, 2003 UNE-P ACIS-to-CABS Billing Reconciliation in the SBC/Midwest states.

Disputed Backbilling

As outlined in my February 24, 2003 correspondence, AT&T notified SBC that it accepted no liability for the backbilling as calculated by SBC and accordingly withheld payment of all debit transactions associated with the reconciliation. Information disclosed for the first time by SBC in the course of the Michigan 271 proceeding reinforced AT&T's conclusion that SBC had significantly failed in its obligations to deliver accurate and timely wholesale bills over a period of more than a year and that it was therefore not entitled to associated backbilling. You recently advised that SBC would schedule a conference call to review the methodology supporting the reconciliation, as well as the questions raised by AT&T in the Michigan 271 proceeding, and that the information provided would most likely resolve this dispute.

However, the information finally provided by Cathy Wyban of your team and the SBC subject matter expert, Phil Dumm, on Friday, June 20 served only to increase AT&T's concerns re: the accuracy of the Billing Reconciliation and the associated backbilling calculations. Here is a summary of our concerns along with the requested action; however, please also note that these issues do not include hundreds of accounts for which we have identified additional reconciliation discrepancies and which we are scheduled to discuss separately.

1) In the case of records that were in CABS but not in ACIS (i.e. credit transactions), SBC reportedly assumed that there are provisions in the

Interconnection Agreements that limit the retroactivity of credits. Cathy and Phil were unable or unwilling to provide contract cites or additional details on the call, and I have subsequently been unable to identify any relevant language that would support SBC's position.

Action Requested:
- Please provide the appropriate cites
  OR
- confirm that SBC will adjust credit transactions based on this correction.

2) In the case of records that were found in CABS but not in ACIS (i.e. credit transactions), SBC reportedly used some sort of "archived information" to determine the appropriate disconnect date. Where this archived information was not available, SBC defaulted to issuing credits back to the original start date in CABS. Cathy and Phil were unable or unwilling to provide data regarding the percentage of records in which this "archived information" vs. the CABS start date (the default) was used. Unless SBC is willing to provide more detailed information about the archived information (e.g. the source, degree and manner in which it was tested for accuracy, etc.), AT&T disputes its use.

   Action Requested:
   - Please provide information described above regarding the "archived information" file and
   - the percentage of records to which it was applied
     OR
   - confirm that SBC will adjust all credit transactions for AT&T and TCG back to the CABS start date.

3) In the case of records that were found in ACIS but not in CABS (i.e. debit transactions), SBC reportedly was unable to utilize the actual connect date in ACIS for each circuit, and instead relied on "guide information". Where this "guide information" was not available, SBC defaulted to issuing no backbilling but starting MRC billing with the next billing cycle.

   Cathy and Phil later disclosed that this "guide information" was in fact usage data or based on usage data. Given past issues with misdirected usage, AT&T disputes the use of this data to accurately determine the start date of any specific circuit.

   The use of the "default" is also problematic. Cathy and Phil were also unable or unwilling to provide data regarding the percentage of records in which usage information was not available. And although the default resulted in no backbilling, AT&T disputes SBC's decision to begin charging MRCs on accounts

that apparently were in ACIS but reflected no past usage without additional review or investigation.

Action Requested:

- Please provide more detailed information regarding the "guide information" used in lieu of ACIS records (e.g. the source, the degree and manner in which it was tested for accuracy, etc.)
- SBC's rationale for using this information rather than actual ACIS data
- the percentage of records this data was applied to and
- SBC's rationale for beginning monthly recurring charges with the next billing cycle with respect to those TNs for which SBC could not find usage records **OR**
- confirm that SBC will issue credits for all debit transactions associated with the Billing Reconciliation and
- confirm that SBC will issue credits for all MRCs on accounts found in ACIS with no associated usage records (i.e. MRCs generated via use of the default).

Failure to Restate Performance Measurement 17

As stated in my June 7, 2003 email message to Becky Krost of your team, AT&T continues to question why PM 17 performance remedies were not restated as a result of the UNE-P Billing Reconciliation. Becky subsequently advised that SBC's response was contained in SBC's updated Section 271 application for Michigan.

The only reference that AT&T was able to locate was in the joint affidavit of Justin W. Brown, Mark J. Cottrell and Michael E. Flynn in a footnote (footnote 50 on page 25). This footnote explains that the accounts that were not updated in CABS until the Billing Reconciliation was completed in January, 2003 (and which were significantly delayed, some as long as 15 months, or retroactive to October, 2001) bypassed PM 17. This apparently occurred because the mechanized service orders generated to accomplish the posting were cancelled before they reached the point when they would be captured by the performance measurement. This outcome results in an unacceptable distortion of SBC performance for this period, and avoids remedy payments to CLECs that would otherwise be due. It is also inconsistent with SBC's previous submissions to regulators on this subject, in which SBC stated "No restatement of PM 17 is planned as a result of the reconciliation effort because the impact of the conversion effort has already been captured by this measurement".[1] In any event, AT&T disputes SBC's decision to bypass performance measurement reporting and remedy payments for these significantly delayed transactions, and requests that SBC provide an estimate of performance remedies due to AT&T and TCG in the response to this correspondence.

[1] SBC Ex Parte Letter to FCC, March 14, 2003.

Inappropriate Disclosure of AT&T Proprietary Information to Ernst & Young

Finally, in addition to these concerns, AT&T learned while reviewing SBC's updated Section 271 application for Michigan that SBC had engaged Ernst & Young to review and audit wholesale bills. As it is clear from these documents that AT&T's wholesale bills were among those audited by E&Y, SBC has breached the Proprietary Information provisions of its Interconnection Agreements with AT&T by not seeking prior written authorization. For example, Article XX of the AT&T/SBC Interconnection Agreement for Michigan provides as follows:

Section 20.0.1 Notwithstanding the requirements of this Article XX, all information relating to the Customers of a Party, including information that would constitute Customer Proprietary Network Information of a Party pursuant to the Act and FCC rules and regulations, and Customer Usage Data, whether disclosed by one Party to the other Party or otherwise acquired by a Party in the course of the performance of this Agreement, shall be deemed ***"Proprietary Information"****.*

Section 20.2 Each Receiving Party agrees that from and after the Effective Date:

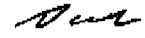
...(b) it will not permit any of its employees, Affiliates or Representatives to disclose such Proprietary Information to any third person;

...(d) it will cause each of its agents, employees, Affiliates and Representatives to use such Proprietary Information only to perform its obligations under this Agreement or to use services provided by the Disclosing Party hereunder and for no other purpose...

AT&T seeks SBC's acknowledgment that the Agreement was breached, that it will retroactively execute Non-Disclosure Agreements with E&Y specifying the proprietary information already disclosed, and that it will not disclose additional information to E&Y or any other third party (excluding Government agencies as described in the ICAs) without seeking AT&T's prior written authorization.

Please contact me with questions or for additional information. Please provide SBC's written response by COB Wednesday, July 9.

Sincerely,



Sarah DeYoung
Division Manager –
Local Services and Access Management

cc: Steve Huels, AT&T

Exhibit 3

Industry Markets
350 North Orleans Street
Floor 3
Chicago, IL 60654
Phone: 312.335.6553
Fax: 312.467.9026
thomas.aiis.harvey@ameritech.com

Thomas R. Harvey
Vice President
Major Accounts

July 15, 2003

Sarah DeYoung
Division Manager
AT&T
795 Folsom Street
Room 2107
San Francisco, CA 94107

Dear Sarah,

This letter provides the additional information you requested in your letter of July 2, 2003, concerning the ACIS/CABS reconciliation.

ICA Provisions

The contract provisions relied upon by SBC Midwest in determining the period of time credits or debits resulting from the ACIS/CABS reconciliation would apply to AT&T/TCG billing are as follows:

1. For Michigan, Indiana, Ohio and Wisconsin, see General Terms and Conditions, §§ 27.2 and 28.2;
2. For Illinois, see General Terms and Conditions, §§ 27.5 and 28.2.

Circuit Disconnect/Establishment Dates

For the ACIS/CABS reconciliation, the disconnect date of the UNE-P circuit (for credits) and establishment date (for debits) was determined based on data maintained in SBC Midwest's usage processing system, known as CAMPS ("Common Ameritech Message Processing System"). Among other things, CAMPS receives a daily update from ACIS for posted provisioning service order activity, including the effective dates of service orders for the establishment, change and disconnection of service. SBC Midwest used CAMPS for this purpose because the circuit establishment and disconnect dates, although updated from ACIS, could be more easily extracted from CAMPS.

Default dates were used in those instances where the circuit disconnect/establishment date was not available through CAMPS. SBC Midwest did not maintain records that would allow it to easily determine the percentage of records for which it used default dates. However, as explained in the June 20 meeting, the methodology utilized by SBC Midwest was designed to eliminate any adverse impact to AT&T resulting from use of the proxy dates. Specifically, if the UNE-P circuit disconnect date could not be determined, credits were applied from the date the UNE-P circuit was established in CABS. If the establishment date could not be determined, no debit was applied. Thus, to the extent the results were not exact, the dates were resolved in AT&T's favor.

PM 17

As you know, PM 17 captures service orders posted to CABS. Cancelled service orders do not post to CABS and therefore are not included in PM 17 results. As such, PM 17 results cannot be "restated" as AT&T requests. Notably, SBC's PM 17 results during the course of 2002 (missing parity 11 months in Michigan; 5 months in Wisconsin; 12 months in Illinois; 7 months in Indiana and 9 months in Ohio) demonstrate that the impact of the CABS conversion effort was reflected in the measure. Given that CLECs have long been aware of SBC's deficient performance on this measure, there seems little to be gained even if the results could be restated or estimated to include cancelled service orders.

If AT&T wishes to estimate the potential performance remedies it would be due if the cancelled service orders had, instead, posted late to CABS, it may simply refer to the PM 17 remedy reports for Michigan Illinois and Ohio for 2002 – which show that, more often than not, SBC Midwest reached the cap provided for under the performance remedy plan for both AT&T and TCG.

Proprietary Information

Although SBC shares AT&T's general concern regarding the improper disclosure of proprietary information, AT&T's concerns in this instance are unfounded. Any dealings between SBC and its auditors were conducted on a confidential basis, and AT&T's interests were suitably protected. Therefore, while SBC does not agree with AT&T's assertion that the ICA was breached, SBC takes this opportunity once again to assure AT&T that no proprietary information of AT&T is or has ever been at danger of improper disclosure.

Please contact me if you have any questions.

Sincerely,

Thomas Harvey
VP-Account Management/Midwest

Exhibit 4

Accessible

Date: **July 24, 2003**

Number: **CLECAMS03-051**

Effective Date: **NA**

Category: **OSS**

Subject: **Ordering System Error Impacting Billing**

Related Letters: **NA**

Attachment: **No**

States Impacted: **SBC Midwest Region 5-State**

Issuing SBC ILECS: **SBC Illinois, SBC Indiana, SBC Michigan, SBC Ohio and SBC Wisconsin (collectively referred to for purposes of this Accessible Letter as "SBC Midwest Region 5-State")**

Response Deadline: **NA**

Contact: **Account Manager or OSS Customer Support Manager**

Conference Call/Meeting: **NA**

This Accessible Letter provides notice that SBC Midwest Region 5-State has determined that approximately 1400 UNE-P circuits across SBC Midwest Region 5-State have been billed incorrectly due to an ordering system error introduced with the March 15, 2003 OSS release.

The defect in question impacts CLEC-to-CLEC UNE-P migrations, where the winning CLEC uses LSOR version 5.02, but the losing CLEC originally migrated the customer using LSOR version 5.03 or higher. In this unique circumstance, SBC Midwest Region 5-State ordering systems incorrectly utilized the BAN for the losing CLEC to create the billing service order for the migration. As a result, after the migration, billing for the impacted circuits continued to be sent to the losing CLEC rather than being transferred to the winning CLEC.

SBC Midwest Region 5-State will implement a correction for this defect in the August 1, 2003 maintenance release, and will continue to monitor and correct subsequent order activity for this type of CLEC-to-CLEC migration until all orders that are "in the pipeline" are correctly resolved.

Service orders will be issued to correct the BANS on the impacted circuits, and to generate appropriate credits and debits. SBC Midwest Region 5-State OSS Customer Support team will contact impacted CLECs with additional information. In the meantime, any questions should be directed to your OSS Customer Support Manager.