



0000083886

LLP
LAWYERS

Telephone (602) 262-5311

Tucson Office
One South Church Avenue
Suite 700
Tucson, Arizona 85701-1611
Facsimile (520) 622-3088
Telephone (520) 622-2090

Las Vegas Office
3993 Howard Hughes Parkway
Suite 600
Las Vegas, Nevada 89109
Facsimile (702) 949-8398
Telephone (702) 949-8200

06

Thomas H. Campbell
Direct Dial: (602) 262-5723
Direct Fax: (602) 734-3841
Internet: TCampbell@lrlaw.com
Admitted in Arizona

2002 JAN -8 A 9:58

AZ CORP COMMISSION
DOCUMENT CONTROL

Our File Number 20390-00061

January 7, 2002

VIA HAND DELIVERY

Arizona Corporation Commission
DOCKETED

JAN 08 2002

DOCKETED BY *mae*

ARIZONA CORPORATION
COMMISSION
RECEIVED
JAN - 8 2002

Director of Utilities

Jim Fisher
Executive Consultant - Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Re: In the Matter of Rules to Address Slamming and Other Deceptive Practices
Docket No: RT 00000J-99-0034

Dear Mr. Fisher:

Per the conversation you had in December with Teresa Tan, in-house counsel at WorldCom, Inc., what follows is an overview of MCI WorldCom's proposed Electronic Authorization as a means for efficiently lifting PIC freezes. The goal of an effective Electronic Authorization process is to facilitate consumer convenience, protect his or her rights against unauthorized practices, and encourage competition by permitting ease of transfer between different telecommunications companies. Qwest recently announced that it intends to offer an untariffed product designed to encourage residential customers to 'freeze' their local PIC. While MCI WorldCom opposes such a local PIC "freeze," Qwest's announcement validates the urgency to implement rules that remove the control of PIC freeze administration from the LEC. This is particularly important as the Arizona consumer is on the verge of reaping the benefits of local competition.

Set forth below is WorldCom's proposed amendments to R15-2-1909, where it would be appropriate to insert language on Electronic Authorization. Following the proposed language is our explanation for the proposed changes. It is our hope that the Commission will consider including this consumer protection component in the pending Slamming/Cramming rules now under review.

Proposed Rule/Language (in italics):

R15-2-1909 Customer Account Freeze

- A. A Customer Account Freeze prevents a change in a Subscriber's intraLATA and interLATA Telecommunications Company selection until the Subscriber gives consent to lift the freeze to the local exchange company that implemented the freeze.**
- B. A local exchange company that offers a freeze shall do so on a nondiscriminatory basis to all Subscribers.**
- C. A Telecommunications Company that offers information on freezes shall clearly distinguish intraLATA and interLATA telecommunications services.**
- D. A local exchange carrier shall not implement or remove a freeze without authorization obtained consistent with R14-2-1904 and verification consistent with R14-2-1905.**
- E. A local exchange company removing a PIC freeze pursuant to electronic authorization is subject to the same obligations as with written authorization. The electronic nature of the authorization does not subject the LEC to additional responsibility.***
- F. Methods for lifting PIC freezes may not impose unnecessary burdens on consumers or telecommunications companies. The LEC may not base a refusal to honor a customer's request to lift a freeze on the grounds that such a request is submitted through electronic means, including voice recordings.***
- G. A Telecommunications Company shall not charge the Customer for imposing or removing a freeze except under a Commission approved tariff.**
- H. A local exchange company shall maintain records of all freeze authorizations and repeals for 12 months**

MCI WorldCom's Electronic Authorization Proposal is a Customer-Friendly, Competitively Neutral Means to Lift PIC Freezes

As you know, currently, when a consumer who has elected PIC freeze protection wishes to change his PIC, he must either participate in multiple three-way calls or submit some type of written authorization. In addition, many consumers do not discover they have a PIC freeze in place until after a PIC-change request has been rejected. The consumer, the executing LEC and the requesting carrier are thus forced to grapple with the added expense, annoyance and coordination problems associated with a multi-step process.

With Electronic Authorization, when a customer is sent to the independent third-party verifier who verifies the sale, an independent TPV agent will make an audio recording of the customer's request to lift a PIC freeze. Then, if the customer's order is rejected by the LEC because of a PIC freeze, the audio recording will be sent or will be made available for the LEC to review. Under federal and state electronic signature statutes, this constitutes a direct request from the customer to the LEC to lift the PIC freeze, and it is accomplished in one phone call, without LEC (Qwest) intervention and without the seemingly unending steps that are currently required of the customer.

Mechanics of Electronic Authorization

The FCC has stated that LECs may not lift PIC freezes based solely on the word of a submitting carrier. Concerned with the possibility of abuse, the FCC ruled that customers must inform LECs directly of their desire to lift a freeze. Acknowledging that the current system is far from perfect, however, the FCC encouraged carriers "to develop other methods of accurately confirming a subscriber's identity and intent to lift an preferred carrier freeze." The challenge then is to develop a system that allows customers to communicate their intent to Qwest without requiring written authorization or multiple phone calls by the customer.

Using the technology of the Internet, this can be accomplished by recording the customer's oral authorization and, with the customer's consent, transmitting or making that recording available to the LEC in the form of a digital ".wav" file. Specifically, as part of the TPV process, the customer indicates that he wishes to inform Qwest that he would like to lift his PIC freeze. He further indicates that he would like to accomplish this task by having a recording of the authorization transmitted directly to the LEC. The customer is thus able to provide authorization without having to rely on the word of the requesting carrier. The third-party verifier merely provides the delivery mechanism for the Electronic Authorization; much like the U.S. Postal Service is the delivery mechanism for a written authorization.

With Electronic Authorization, the carrier-change process, from sales call to order processing, would work as follows:

- (i) Sales Call: During the sales call, the customer agrees to change his intraLATA and/or interLATA PIC to the IXC.
- (ii) TPV: After the sales call, the customer is sent to an independent third-party verifier. This can be accomplished either by transferring the customer to the TPV agent or by a call back from the TPV agent to the customer, shortly after the sales call. The TPV agent verifies the customer's intent to switch carriers.
- (iii) Electronic Authorization: The independent TPV agent also records the customer's authorization directing the ILEC to lift any PIC freezes on the customer's account. The customer requests that the recorded authorization be transmitted to the ILEC if required.
- (iv) Order Sent to Qwest: The PIC change order is sent to Qwest in the same manner in which it is sent today.
- (v) Order Rejects: Because the account has a PIC freeze, Qwest rejects the order and sends the rejection notice to the IXC, just as it does today.
- (vi) Independent Company Sends Qwest Electronic Authorization: After the IXC receives the rejection notice, it alerts the independent company that recorded the Electronic Authorization. The independent company sends Qwest notice that the wav Electronic Authorization is available on an Internet website.
- (vii) Qwest Reviews Electronic Authorization: Qwest accesses the .wav file and reviews it to confirm that the customer has directed Qwest to lift his PIC freeze.
- (viii) Qwest Executes Customer Changes: Qwest lifts the PIC freeze, executes the carrier changes, and replaces the PIC freeze, as directed by the customer.

Electronic Authorization is Customer-Friendly

Electronic Authorization allows the customer to change his carrier in a single phone call. It eliminates the current system's need for multiple phone calls. When a customer completes the original sales call and TPV call, he assumes the process is complete and expects that his order will be processed according to his wishes. With Electronic Authorization, that is accomplished, just as the customer expects. The confusion and frustration inherent in the current system is significantly curtailed if not eliminated. Furthermore, Electronic Authorization ensures that the customer's PIC freeze protection is not compromised, because Qwest hears the customer's actual oral request for the freeze to be lifted. Unless the customer's actual request to lift a freeze is transmitted or made available to Qwest, the order will not go through.

Electronic Authorization is Competitively Neutral

Currently, most IXCs already contract with third party verifiers to verify customers' requests to switch carriers. Of course, those carriers who do not use TPV will continue to have the option to conduct three-way-calls. But for the majority of carriers who do use TPV, three-way calls and two-way calls become a thing of the past. Electronic Authorization eliminates the possibility that Qwest might use its position as PIC administrator to its benefit in winning and retaining customers and, as evidenced in recent weeks, to promote local PIC freezes, thus stifling competition in an emerging competitive local market.

Electronic Authorization is Cost Effective and Can Be Implemented Quickly

Because Electronic Authorization builds on already existing processes and procedures, it can be implemented without a major increase in carrier expenses. For Qwest, Electronic Authorization will substantially reduce, if not almost eliminate, the number of three-way calls that Qwest participates in today. Its representatives will merely perform the ministerial function of accessing and listening to the .wav file authorizations.

For the carrier submitting the PIC change order, Electronic Authorization requires only a slight expansion of the TPV process. Submitting carriers today spend counterproductive time attempting to re-contact customers and resubmit rejected orders. With Electronic Authorization, the customer is not re-contacted, and the carrier must only direct the independent third party to submit the recorded .wav file. Additionally, because Electronic Authorization eliminates the confusion and frustration inherent in the current system, WorldCom expects a significant decrease in customer service calls and customer complaints associated with the carrier change process.

Further, Electronic Authorization can be accomplished almost immediately, without the time and expense required to develop other means. Other mechanisms, such as third party administration as proposed by AT&T, may be appropriate in the long term. For example, WorldCom supports AT&T's general concept of neutral PIC administration; however, WorldCom is concerned that the costs, including expected litigation costs, of such a system may be significant. Because WorldCom's proposal builds on existing processes, WorldCom submits that its proposal can be implemented relatively inexpensively and quickly, and the Commission should first implement Electronic Authorization, regardless of whether the Commission later chooses to pursue third party administration.

Electronic Authorization is Consistent With Federal Law and Regulations

Electronic Authorization falls squarely within the parameters of the Electronic Signatures in Global and National Commerce Act ("E-Sign Act"). The federal law establishes that "a signature, contract, or other record relating to such transaction may not be denied legal effect, validity, or enforceability solely because an electronic signature or electronic record was used in its formation." The E-Sign Act specifically contemplates that carriers will receive electronic records and prohibits the FCC from holding them unenforceable. The proposed regulatory language complies with the federal law.*

In conclusion, WorldCom respectfully requests that the Commission, within the context of the pending Slamming/Cramming rules, mandate Qwest to accept Electronic Authorization as a viable means for lifting PIC freezes. Please do not hesitate to contact me if you have any questions or require further information.

Very truly yours,

LEWIS AND ROCA LLP



Thomas H. Campbell

THC/bjg

* WorldCom will be happy to provide a more detailed analysis of how Electronic Authorization complies with current federal laws if the Arizona Corporation Commission would like a fuller explanation.

cc: Judy Bitner
Teresa Tan