

LEWIS
AND
ROCA
L.P.
LAWYERS

Phoenix Office
40 North Central Avenue
Phoenix, Arizona 85004-4277
Facsimile (602) 262 5747
Telephone (602) 262 5777

Thomas H. Campbell
(602) 262 5773

Tempe Office
One South Country Avenue, Suite 700
Tempe, Arizona 85281-1821
Facsimile (480) 822 3088
Telephone (480) 822 3080



0000132304

MCI ID
697-634

Our File Number
20390-109

July 21, 1997

HAND DELIVERED

RECEIVED

JUL 21 1997

ARIZONA CORP. COMM.
HEARING DIVISION

Jerry Rudibaugh, Chief Hearing Officer
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Re: Consolidated Cost Arbitration

Dear Mr. Rudibaugh:

Pursuant to your procedural order in the above-captioned matter, MCImetro ACCESS Transmission Services, Inc. submits the direct testimony of Michael Hydock, including a signed affidavit

Very truly yours,

Thomas H Campbell /cc

Thomas H. Campbell

THC:bjg

Enclosure

cc: All parties of record (Consolidated Cost Docket)

**LEWIS
AND
ROCA
LLP
LAWYERS**

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK,
CHAIRMAN

RECEIVED

RENZ JENNINGS,
COMMISSIONER

JUL 21 1997

JIM IRVIN,
COMMISSIONER

ARIZONA CORP. COMM.
HEARING DIVISION

Docket # U-3175-96-479
E-1051-96-479

IN THE MATTER OF THE PETITION OF
MCIMETRO ACCESS TRANSMISSION
SERVICES, INC. FOR ARBITRATION
WITH US WEST COMMUNICATIONS, INC.
OF INTERCONNECTION RATES, TERMS,
AND CONDITIONS PURSUANT TO
47 U.S.C. §252(b) OF THE
TELECOMMUNICATIONS ACT OF 1996

CONSOLIDATED WITH:

U-2428-96-417
E-1051-96-417
U-2752-96-362
E-1051-96-362
U-3016-96-402
E-1051-96-402
U-3021-96-448
U-3245-96-448
E-1051-96-448
U-3009-96-478
E-1051-96-478
U-2432-96-505
E-1051-96-505
U-3155-96-527
E-1051-96-527

DIRECT TESTIMONY OF MICHAEL HYDOCK

ON BEHALF OF

MCIMETRO ACCESS TRANSMISSION SERVICES, INC.

1. considered at the Federal Communications Commission (FCC). In that
2. position I developed MCI's regulatory policy on a number of federal
3. issues, including access charges, price cap regulation, and universal service
4. issues. I reviewed Local Exchange Company (LEC) and other parties'
5. filings at the FCC and wrote direct and rebuttal submissions on MCI's
6. behalf. During this period I also worked directly for MCImetro, MCI's
7. local service initiative group. I provided MCImetro with economic,
8. financial, and regulatory guidance during their start-up phase. Since 1995
9. I have been working with the Western Region Law and Public Policy
10. organization. During this time I have developed policy for MCI with
11. respect to its interest in entering local exchange marketplaces in the
12. territories of U S WEST and Pacific Bell. I have been involved in local
13. competition rulemakings, MCImetro certification proceedings, Section 252
14. negotiations and arbitration proceedings, and follow-up generic costing
15. proceedings in a number of states. I have offered testimony in various
16. regulatory proceedings in Oregon, Colorado, Arizona, Utah, Iowa,
17. Minnesota, and Nebraska.

18.
19. **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20.
21. **A.** The purpose of my testimony is the following: to review the material filed by U
22. S WEST to support its proposed charge; to explain why CLECs should not be
23. required to pay for the existing OSS interface deployed by U S WEST; to
24. examine other shortcomings of the U S WEST proposal; and, to provide MCI's
25. policy recommendations in this docket.
26.

1. I. ECONOMIC AND PUBLIC POLICY ISSUES

2
3 Q. WHAT IS THE MAIN PUBLIC POLICY ROLE OF THE TELECOM ACT
4 OF 1996?

5 A. The Telecom Act of 1996 was designed to open all telecommunication service
6 markets to new or further competition. Local markets were designated as
7 monopoly markets that must and should be open to competition. As a related
8 item, Regional Bell Operating Companies were allowed to enter the heretofore
9 prohibited market of interLATA communication services, once they had proven
10 compliance with a checklist of items designated by the Act.

11 Q. WHY IS THIS ROLE OF INCREASED COMPETITION IN THE PUBLIC
12 INTEREST?

13 A. Competition brings about increased social welfare levels and a more market-
14 driven allocation of societal resources. Consumers who are faced with the ability
15 to choose suppliers of a service are faced with increased choice and relatively
16 lower prices than if they were faced with a single provider of a needed service.
17 By having multiple providers, consumers have the ability to send signals to
18 producers of that service, through their purchases from one or another vendor.
19 Producers quickly adapt to consumer desires by offering the choices that
20 consumers are requesting and prices that customers are willing to pay. In a quest
21 for increased profits and enhanced shareholder value, producers will seek to
22 provide those services in a least cost manner, using the most efficient means of
23 production.

24
25
26

1 Q. WHAT ARE NONRECURRING CHARGES?

2 A. Nonrecurring charges, or costs, (NRCs) are assessments made by the ILEC to
3 new entrants to cover costs that are not related to the costs associated with the direct use
4 of the service, but rather are associated with one-time events related to the provision of
5 the service. For example, ILECs normally charge retail customers a service order
6 charge that is ostensibly related to the costs of opening an account, provisioning the
7 services, and ultimately uninstalling the account information. ILECs also charge
8 interexchange companies (IXCs) for similar processes associated with the provisioning
9 of access orders and circuits. So, one main category is associated with the provision of
10 service(s) at the beginning and end of a customer's subscription to a service.

11
12 A second category of nonrecurring costs relates to development costs associated
13 with re-engineering systems and provisioning techniques as firms enter new markets and
14 new environments. For example, in order to enter the ILEC's market, a new CLEC
15 need to build and deploy systems that will allow them to provide pre-ordering and
16 service order information for their customer service representatives; determine and
17 arrange for the physical provision of telecommunication service and repair of that
18 service; and, provide mechanisms to measure and bill for services rendered. CLECs
19 will necessarily build systems to perform any style of entry they pursue C resale, UNEs,
20 and owned facilities.

21
22 Some ILECs have recently contended that a category of costs called competition
23 onset costs@ should be recoverable by the ILECs. Although the exact cost items vary
24 by ILEC, some examples include the construction of Operational Support Systems to
25 support resale and UNE deployment, restructuring of network architectures to provide
26

1 for UNEs, and other items associated with the changes mandated by the
2 Telecommunications Act of 1996.

3
4 **Q. HOW CAN NONRECURRING CHARGES IMPACT THE LEVEL OF**
5 **COMPETITION IN THE LOCAL EXCHANGE MARKETPLACE?**

6 **A.** To address this question, one must examine the likely dynamics of the local exchange
7 marketplace and the development of competition in the long distance marketplace. In
8 the initial stages of competition in the long distance market, carriers that entered that
9 market did so with a three-pronged strategy of using resale, leased facilities, and their
10 own build-outs to enter and grow into the long distance industry. There are two very
11 rational reasons for this type of strategy. In the first place, few firms have the access to
12 the levels of capital needed to quickly overbuild, with owned facilities, and existing
13 large-scale telecommunications network. MCI did not have the financial ability to
14 overbuild AT&T in the short run in the early 1980's, and new entrants to the local
15 exchange marketplace do not have access to capital to replicate the \$160 billion of plant
16 in service held by current ILECs. In the second place, telecommunication firms
17 entering the marketplace will be faced with marketing their services against the scale
18 and scope of ubiquitous ILEC services. To have some hope of penetrating the ILECs=
19 market share, CLECs will be required to provision services that establish large
20 footprints of geographical coverage in these new markets.

21 **Q. WHY IS A LARGE FOOTPRINT REQUIRED FOR MARKET ENTRY?**

22 **A.** New entrants that desire to offer a wide range of services to a variety of consumers will
23 wish to make market inroads as quickly as possible. To enable this market penetration,
24 new entrants will find it necessary to intensively market and promote their offerings.
25 The most effective and efficient means of doing this will be on a mass scale, through
26 print and broadcast alternatives. Since these are generally available on a media markets

1- basis, new entrants will require the opportunities of using resale and unbundled
2 elements, in addition to the own facilities to provision their new local customers. If
3 these were unavailable, or uneconomically available because of high NRCs, new
4 entrants would find it difficult, if not impossible to deploy widely available services. In
5 other words, new entrants would need to market on a metropolitan-wide basis at a
6 minimum, and in order to fulfill service orders would have to have some way to
7 provision services in-lieu of an entire over-build of the ILEC network. Lack of
8 economically viable wholesale and UNEs would translate into an a situation where new
9 entrants would incrementally build out networks and micro-market to specific buildings,
10 city blocks, or residential neighborhoods as facilities were deployed.

11 **Q. WHY WOULD SUCH A FACILITIES-BASED SOLUTION BE INEFFICIENT?**

12 **A.** In the first place, the new firm would face the Catch-22 situation of either building out
13 an entire network, overbuilding the existing ILEC network, before marketing to the
14 region, or building and micro-marketing on an incremental basis. In that case, the new
15 entrant would need to attract the extensive capital required to build a network, and
16 forego the revenue from the project until there was significant coverage to begin market
17 area-wide marketing. In either case, the level of competition within an area would only
18 slowly develop, or be delayed for a significant amount of time.

19 **Q. HOW DO NRCs CREATE BARRIERS TO ENTRY AND MINIMIZE THE**
20 **LEVEL OF COMPETITION?**

21 **A.** This can happen in a number of ways, either independently, or in many ways
22 cumulatively affecting the level of competition. In the first instance, NRCs can be set
23 at abnormally high levels that serve as a barrier to entry to new CLECs. An example of
24 such a NRC would be the charges associated with establishing a collocation presence in
25 the ILEC central office. Normally the costs of cage construction, power, HVAC, and
26 other items have exceeded \$50,000 for some ILECs. Small CLECs, with few customers

1 to achieve the economies of scale necessary to recover these costs, are essentially priced
2 out of the market. The second manner in which NRCs can serve as a barrier to entry
3 relates to the existence of high NRCs relating to customer acquisition through resale
4 channels or inordinately high NRCs associated with the leasing of UNEs. If these
5 NRCs are higher than what the ILEC charges its own retail customers, or if these
6 charges are in excess of the costs of performing the service, new entrants can be forced
7 into a price squeeze situation.

8
9 **Q. WHAT IS A PRICE SQUEEZE?**

10
11 **A.** A price squeeze can exist when a dominant firm is able to raise its competitors costs of
12 providing service at or above the retail market rate for the same service. Under this
13 scenario, competitors are unable to earn a competitive return and often will incur a loss
14 by providing a retail service. By pricing NRCs at rates far in excess of what they
15 charge their own retail customers, ILECs are able to impose a price squeeze on
16 competitive providers of local exchange services. Because the ILECs actual costs of
17 providing NRCs C its direct economic costs -- are significantly less than the rates it is
18 proposing to charge new entrants, the Company has the economic incentive and ability
19 to impose a price squeeze on competitors, while earning a healthy profit for itself.

20 **Q. HOW WOULD A PRICE SQUEEZE WORK WITH NRCs?**

21 **A.** A simple numerical example makes clear the harmful effects of such a price squeeze.
22 Assume that the ILECs rates for basic residential exchange is \$15.00, and the
23 nonrecurring charge associated with the establishment of service is \$30.00. Now
24 assume that the unbundled platform is available for a combined element price of \$13.00,
25 and the NRCs assessed against the CLEC for leasing the unbundled elements required to
26 provide local service are \$200.00.

1-
2 In a competitive framework for local exchange services, it would be anticipated
3 that customers will migrate between service providers not unlike the way in which they
4 change carriers in the long distance marketplace. In the long distance market, it is not
5 uncommon for carriers to churn 50 percent of their customers in a given year. With the
6 plethora of promotional offerings and various pricing plans, along with the ease of
7 shifting from carrier to carrier, interexchange customer churn can be seen as the
8 example of what will occur in the local marketplace. Since this is likely to be the case,
9 new CLECs will be forced to recover the nonrecurring charges they face over a
10 shortened time horizon.

11
12 In the case just described, a CLEC would seek to recover the NRCs over a
13 period of 24 months. Thus, their effective monthly cost of providing the unbundled
14 platform, and recovering the NRC imposed by the LEC would be \$13.00 plus $(\$200 /$
15 $24 \text{ months})$ or \$21.32 per month. This would compare with the ILEC's own costs of
16 \$15.00 plus $(\$30 / 24 \text{ months})$ or \$16.25. In other words, based on the ability of the
17 ILEC to export high costs onto the CLEC, the CLEC could not price its services at or
18 below the ILEC without incurring a financial loss on each and every customer.

19
20 In the present case, US WEST would charge new entrants a \$0.68 fee each and
21 every time a CLEC attempted to retrieve information from a U S WEST-based source
22 of data. Although U S WEST has not clearly delineated how it would assess such a
23 charge, it is clear that if the CLEC needed to perform several database queries before it
24 could even market to a customer, the charges could add up quickly. Moreover, it is a
25 charge that U S WEST's own retail arm would not have to pay.
26

1 Q. WOULD THE CLEC NEED TO RECOVER OTHER COSTS?

2
3 A. Yes. The CLEC would still need to recover its own marketing, sales, network and
4 billing costs. In addition, the CLEC would probably need to pay for collocation with
5 the ILEC. These charges would be in addition to the approximately \$5 per month price
6 squeeze imposed on the CLEC by the high NRC. Together these internal and other
7 external costs would exacerbate the price squeeze.

8
9 Q. CAN IMPUTATION REQUIREMENTS BE USED TO ALLEVIATE THIS PRICE
10 SQUEEZE?

11
12 A. Imputation is often touted as a mechanism to avoid this price squeeze issue. However,
13 imputation cannot alleviate the dangers of a price squeeze under the ILEC nonrecurring
14 charge structure, where the charges are significantly priced above direct economic cost.
15 Imputation is merely a pricing requirement, that is, it requires the ILEC to treat its price
16 to other carriers as its prices to itself. It simply has no effect on the costs the ILEC
17 faces. In other words, to comply with the imputation rule, ILECs will impute to their
18 prices the nonrecurring charges that the company imposes on CLECs. Imputation alone
19 will not eliminate the ILEC's ability to impose a price squeeze. Imputation is
20 ineffective so long as input functions are priced above direct economic cost.

21 Q. WHAT IS YOUR UNDERSTANDING OF THE ITEMS U S WEST IS SEEKING
22 COST RECOVERY FOR IN THIS PORTION OF THIS ACC DOCKET?

23
24 A. U S WEST is seeking recovery for the costs it is incurring to give itself the
25 interim ability to accept orders and provision the resale services and unbundled
26 elements it is under obligation to provide pursuant to the Telecommunications

1 Act of 1996. It appears that U S WEST envisions deploying an interface
2 between its internal systems and the back-office functions of the CLECs, as
3 depicted on page 5 of the Direct Testimony of Dean Buhler, and further
4 described on page 10 of his testimony. Specifically, U S WEST is requesting
5 cost recovery for its start-up costs associated with both its interim OSS gateway,
6 characterized by U S WEST as its "human to computer" interface, and its
7 longer-run solution, the "computer-to-computer" interface. U S WEST is also
8 asking for recovery of its ongoing maintenance costs for the interim OSS
9 gateway.

10
11 **Q. CAN CLECs ORDER RESALE AND UNBUNDLED ELEMENTS WITHOUT**
12 **THE USE OF ANY PROPOSED INTERFACE SYSTEM?**

13
14 **A. No, there must be some manner in which CLECs can interface with the LEC in order to**
15 **receive from the LEC and provide to the LEC the necessary information to facilitate**
16 **sales and provision services of these resold services and unbundled elements. U S**
17 **WEST controls all the information about its monopoly customer base, and the**
18 **availability of its network deployment. Without access to the OSS of U S WEST,**
19 **CLEC sales and service representatives will not be able to determine what services and**
20 **functionality are available for resale at given locations, whether UNEs are available for**
21 **particular customers, how quickly a service or UNE can be provisioned for a customer,**
22 **or when a service or UNE is down and how long it will take for maintenance and**
23 **service to attend to the problem. Without knowing this information, CLECs will be**
24 **precluded from offering comparable service to what U S WEST can offer its own**
25 **customers.**
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Q. IS IT YOUR OPINION THAT THE GATEWAY TO THE OSS SYSTEMS OF U S WEST IS A MONOPOLY?

A. Yes, because the systems are accessing required information that only US WEST has, and because the interfaces will be designed, owned, and operated by the same incumbent. Consequently, for public policy reasons, these interfaces, in terms of their design, construction, and cost recovery, should be closely reviewed.

Q. PLEASE EXPLAIN WHAT YOU MEAN BY THIS.

A. Certainly. Because the development and the operation of the system will be totally under the incumbent's control, the ACC must carefully evaluate the plans of U S WEST with regards to this interface system. This Commission must pay careful attention to the level of expenditures that U S WEST claims is necessary to deploy these systems, as well as the ongoing maintenance that will be claimed for support.

It is clear that U S WEST will have every incentive to overestimate the costs and export this overestimate of expense to its new business rivals through charges that will be inordinately excessive. Since U S WEST is proposing to recover some of these costs under a per transaction fee assessed only on CLECs, this will create a cost burden that U S WEST does not face, only the CLECs.

Moreover, U S WEST is attempting to recover costs for deploying a system that has not been accepted by MCI as a means for providing parity-level access to the U S WEST OSS system information. At best it can be categorized as an emergency patchwork provisioning system that cannot handle the required level

1 of information for full fledged electronic-based ordering of resale and unbundled
2 network elements.

3
4 **Q. WHAT ARE MCI'S OBJECTIONS TO THE U S WEST PROPOSAL?**

5
6 **A. MCI finds several aspects of the U S WEST proposal to be problematic. In the first**
7 **instance, U S WEST is attempting to recover costs associated with an interim interface**
8 **that is not complete in coverage, requires too much manual intervention, and cannot**
9 **adequately handle the existing small burden placed on it, never mind the increasing**
10 **orders for resold services and UNEs that will be part of the local exchange marketplace**
11 **in the future. Most recently, MCI has petitioned the Colorado Public Utility**
12 **Commission to extend its deadline for providing residential resale service in the U S**
13 **WEST territory in Colorado because of fatal deficiencies in the interim interface. This**
14 **is an interface that MCI has not supported, has been found by other commission's to be**
15 **unsuitable as an access mechanism to U S WEST's OSS, but has been forced upon new**
16 **entrants by U S WEST as a quick fix to its responsibilities to offer AND PROVISION**
17 **resold services and unbundled elements as part of the Telecom Act of 1996.**

18
19 **Attached to my testimony is the filing made by MCI in Colorado, which**
20 **delineates the problems with U S WEST's interface. It provides the pertinent**
21 **information regarding the deficiencies that exist in the existing interface, the lack**
22 **of documentation that has been provided by U S WEST, and the threat such an**
23 **interface would pose on the perceptions future customers would have on new**
24 **entrants that attempt to use such a system.**

1 Secondly, the U S WEST proposal provides for no controls over the amount of
2 money expended to build and operate either interim interfaces, or the permanent
3 "computer - to - computer" interface. Under the U S WEST proposal, MCI and
4 other CLECs would be required to underwrite possibly large expenditures that U
5 S WEST claims were used to provide for the interface. U S WEST could
6 expend funds on internal systems improvements, under the guise of developing
7 an interface for CLECs. Under that scenario, U S WEST could charge CLECs
8 the transaction fee for cost recovery associated with improving its own OSS
9 systems. In essence, U S WEST is proposing a cost recovery mechanism that
10 will be virtually impossible to police. In order to improve upon this weakness,
11 U S WEST must provide that independent auditors will verify the expenses
12 claimed under any recovery mechanism allowed by this Commission.
13
14
15

16 **Q. WHAT COMMENTS DO YOU HAVE REGARDING THE TESTIMONY**
17 **PRESENTED BY U S WEST WITNESS DEAN W. BUHLER?**

18
19 **A.** Mr. Buhler makes several statements with which MCI wishes to take issue. In the first
20 instance, Mr. Buhler attempts to convey the impression, on page 3 of his testimony, that
21 the U S WEST gateway is a "real-time" interface. In fact, the current OSS gateway
22 offered by U S WEST, their Interconnection Mediated Access (IMA) interface, is not
23 real-time at all. Rather, it is comprised of a series of servers, gateways, and security
24 levels that preclude the notion that this interface can be thought of as "real-time."
25 Moreover, many functions performed by the interim WEB-based solution are manual in
26 nature.

1- Moreover, this commission must evaluate the claims that U S WEST makes with
2 respect to its access to OSS. The system interface explained by Mr. Buhler is
3 merely one step, albeit a necessary step, in providing access to this Telecom-
4 mandated element. However, U S WEST must provide back-end processes such
5 as business rules, staff training, user documentation, product documentation, and
6 the availability of help facilities to support the new entrants' use of the
7 interfaces.

8
9 U S WEST, through Mr. Buhler's testimony on page 6, claims that U S WEST's
10 deployment of its IMA supports most of the functions necessary to support
11 resold basic single-line service. This by itself is clearly not adequate to support
12 resale by CLECs. In the first instance, not all functionality is supported. In the
13 second instance, the interface does not support Centrex, trunks, UNEs, and other
14 design services such as private lines. Therefore, the existing system can only be
15 categorized as a system that is only partially compliant with the FCC's directive.
16 Also, Mr. Buhler explains that U S WEST has not completed its computer-to-
17 computer interface because national standards are not complete. MCI would like
18 to point out that national standards for pre-ordering are not yet complete, but
19 standards for ordering and electronic bonding are, in fact, complete.

20
21 **Q. WHY DOES MCI OPPOSE THE U S WEST TRANSACTION CHARGE?**

22
23 **A.** Essentially, MCI opposes the charge because it is being assessed to provide an interim
24 system that does not function well enough to provide the support for timely and equal
25 ordering and provisioning of resold services and UNEs. In other words, CLECs will be
26 paying transaction fees for inferior access to OSS.

1 Q. IS THIS RELATED TO THE CHARACTERISTICS OF PARITY AND NON-
2 DISCRIMINATION THAT FORM ONE OF THE UNDERLYING THREADS OF
3 THE TELECOM ACT?
4

5 A. Yes. The Telecom Act requires that the resold services and access to UNEs be
6 provided on a basis that provides that new entrants will receive services and be able to
7 obtain UNEs on the same basis as the ILEC's own retail arm. This would mean that a
8 new competitor would have the same level of access to information as the internal sales
9 agents of U S WEST. In other words, in whatever manner and timeliness U S WEST
10 customer service representatives have access to network provisioning and other U S
11 WEST data, new entrants' sales reps should have the same level of accessibility. The
12 same would hold true for the new entrants' billing and network administration
13 employees.
14

15 Q. DOES THE U S WEST SYSTEM OFFER PARITY?
16

17 A. No. My understanding is that U S WEST will not be interfacing to their systems
18 through their gateway, but rather directly as they do now. New CLECs, however, will
19 be forced to use this substandard interface until such time as U S WEST readies its
20 electronic "computer - to - computer" interface. Even at that point, it appears that U S
21 WEST will use its existing methods to access its OSS.
22

23 Q. IS U S WEST COMPLETELY CORRECT WHEN IT STATES THAT CLECS
24 WILL BE THE ONLY BENEFICIARIES OF THE INTERFACES TO BE
25 DESIGNED?
26

1 A. The key words for an analysis of this issue are "users" and "beneficiaries." It is quite
2 true that new CLECs will be the only users of the proposed system interfaces,
3 particularly since U S WEST will continue to utilize its own proprietary access to the
4 existing OSS. However, this ignores the larger aspects to this issue. In the first
5 instance, all consumers in Arizona will benefit from the deployment of these interfaces,
6 as competitive alternatives will not develop as quickly if these interfaces are non-
7 functional, or are priced at rates that exceed costs even if they are functional. As these
8 interfaces are deployed and new entrants can order and provision resold services and
9 UNE-based solutions, competition will become more robust, driving down prices and
10 increasing value and choices for all consumers, not just the CLEC customers.

11
12 A second beneficiary is U S WEST and its shareholders as well. Under the
13 Telecom Act, local markets were directed to be opened to competition. At the
14 same time, Congress established the procedures under which U S WEST and the
15 other regional Bell Operating Companies could enter long distance. This can
16 occur once U S WEST meets the fourteen point checklist and receives the
17 necessary approvals under the Act. Once U S WEST therefore makes available
18 its services for resale, makes available its network on an unbundled basis, and
19 provides the ability for new entrants to actually order and provision those
20 elements, then U S WEST is able to receive the benefit of entering in-region
21 long distance — a benefit that U S WEST and other RBOCs lobbied vigorously
22 for in the months leading up to the passage of the Telecom Act. Essentially, U
23 S WEST receives direct benefits from its ability to provide access to its OSS to
24 third parties.

25
26 GENERAL MCI POLICY ON NRCs

1 Q. PLEASE SUMMARIZE MCI'S PUBLIC POLICY ON THE NONRECURRING
2 COSTS PROPOSED BY U S WEST IN THIS DOCKET.

3
4 A. The non-recurring per transaction charges put forth by U S WEST should recover only
5 the forward looking expenses associated with an interface that actually provides some
6 semblance of parity with U S WEST's own access to its OSS, and is built in
7 conformance with the growing body of national standards. In particular, the costs
8 associated with the functions related to the transaction-type activities should be based
9 upon processes and systems that are efficient and forward-looking, and construction and
10 deployment of the interface should utilize competitive bidding techniques. Care must be
11 exercised by this commission to prevent the double recovery of the costs associated with
12 these activities and to ensure that the Act's standards of nondiscrimination are met.

13
14 The investment costs associated with the access to OSS systems should be
15 recovered in a competitively neutral recurring charge. Anything other than a
16 competitively neutral cost recovery method will handicap the level of
17 competition, or simply make it unprofitable to enter the local marketplace.
18 Therefore, MCI would suggest that the cost recovery for NRCs be spread over
19 all potential beneficiaries of the US WEST OSS development, both the CLEC
20 customers as well as the ILEC's customers. This type of recovery is both
21 logical and economically rational since OSS systems are to be used by the U S
22 WEST for the operation of their own networks and the internal provision of their
23 retail services as well as by CLECs.

24
25
26

1 In this docket, U S WEST has suggested that start-up costs for the interfaces it
2 will deploy be recovered on such a competitively neutral basis. MCI would
3 agree that this presents a useful approach in the recovery of these costs.

4
5 Another method to minimize any detrimental impact on competition and allow
6 for fair and just recovery of TELRIC-based charges would entail the appropriate
7 amortization of the investment costs of new OSS systems. The cost associated
8 with the investments for these OSS systems should be recovered over the
9 projected lifetime of the asset and from all users of the asset, through a recurring
10 charge. Based on MCI's review of U S WEST's cost support for these charges,
11 it can be stated there are no good estimates of how large these investment costs
12 will actually be. The level of cost support provided in this filing is minimal.
13 These proposed NRC costs, even if they are quite large, if recovered over the
14 projected lifetime of the OSS systems (e.g., a minimum of 10 years -- or 120
15 months) and over all lines in the U S WEST territory, would come out to a very
16 small monthly per line-number. Using even an excessive estimate, for example,
17 one billion dollars spread over ten million lines for 120 months is only \$0.80 per
18 month. U S WEST, however, is expecting a three year recovery of its costs,
19 which certainly will not match up with the expected lifetime use of these
20 interfaces.

21
22 Moreover, some, but probably not all, of these investment costs already are
23 captured by the Hatfield model and its TELRIC, since a portion of OSS costs
24 are included in the General Computers ARMIS category, which is picked up by
25 the Hatfield model. Also, there should be no separate charge for the recovery of
26 costs associated with cleaning up existing databases. The up-front costs, even if

1 in the hundreds of millions of dollars, will be more than made up in lower
2 operating costs as a consequence of less fallout.
3

4 **Q. WHAT DOES MCI RECOMMEND THE ARIZONA CORPORATION**
5 **COMMISSION DO IN THIS PHASE OF THE DOCKET?**

6
7 **A. MCI recommends that the ACC disallow cost recovery for this interim interface. U S**
8 **WEST could be entitled to cost recovery if it were for the deployment of a electronic**
9 **data interface that meets the needs of its competitors, and if it were deployed in**
10 **harmony with the standards being developed in industry fora. However, since the**
11 **interface at the present time is unusable for the large scale ordering and provisioning of**
12 **resale and UNEs at some level of parity with U S WEST's internal systems, cost**
13 **recovery should be precluded at the present time.**

14
15 **By withholding cost recovery at this time, the ACC will incent U S WEST to**
16 **design and deploy interfaces that are acceptable to its captive customers for this**
17 **information. The ACC should require that U S WEST fulfill its obligation**
18 **under the FCC rules and the Telecommunications Act of 1996 and develop**
19 **electronic interfaces for use by CLECs. Once those systems are constructed, and**
20 **demonstrated to be able to handle large-scale ordering, provisioning, and**
21 **maintenance, then US WEST can revise and refile its request to recover the costs**
22 **associated with the interface.**

23
24 **Q. Does this conclude your testimony?**

25
26 **A. Yes it does.**

7000 · 400 · 0000

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26

AFFIDAVIT

~~DRAFT~~ *MA*

State of Colorado)
)
County of _____) ss:

MICHAEL HYDOCK, of lawful age being first duly sworn, deposes and states:

1. I am employed by MCI Telecommunications Corporation as an Executive Staff Member and have caused to be filed written testimony in support of MCI in Docket No: U-3175-96-479, et al.
2. Such testimony is true and correct to the best of my knowledge and information.

Further, affiant sayeth not.

Michael Hydock
MICHAEL HYDOCK

SWORN AND SUBSCRIBED to before me this 17th day of July, 1997.

[Signature]
Notary Public

My commission expires:

July 31, 2000



MY COMMISSION EXPIRES
JULY 31, 2000

A002467B

IN THE MATTER OF REGISTRATION OF
MCIMETRO ACCESS TRANSMISSION, INC.,
FOR A CERTIFICATE TO PROVIDE LOCAL
EXCHANGE SERVICE, NOTICE OF INTENTION
TO EXERCISE OPERATING AUTHORITY AND
CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY.

DOCKET NO. 96A-267T

**MOTION TO EXTEND REQUIREMENT TO BEGIN
PROVISION OF SERVICE BY RESALE OR THROUGH USE OF
UNBUNDLED NETWORK ELEMENTS
BY MCIMETRO ACCESS TRANSMISSION SERVICES, INC.**

MCImetro Access Transmission Services, Inc. ("MCImetro") files this motion to extend the Colorado Public Utilities Commission's (the "Commission" or "CPUC") requirement, stated in Decision No. C97-4, to begin to provide local exchange telecommunications services by resale or through the use of unbundled network elements on July 31, 1997, for residential services and on October 15, 1997, for business services.

AS GROUNDS FOR THIS MOTION, MCImetro states:

1. By Decision No. C97-4, in Paragraphs B(1)(b) and (c), MCImetro is required to begin to provide local exchange telecommunications services by resale or through the use of unbundled network elements on July 31, 1997, for residential services and on October 15, 1997, for business services.

1. MCImetro has made diligent efforts to coordinate with U S WEST Communications, Inc. ("U S WEST"), regarding the provision of services using U S WEST's interconnect mediated access ("IMA") system. In response, MCImetro has attempted to obtain information and training to allow MCImetro to access and use the IMA system to determine whether the system is sufficient to allow MCImetro to provide service to customers in Colorado. Only within the last two weeks has U S WEST even allowed MCImetro to access the IMA system.

2. Actual use of the system has shown that the deficiencies are even worse than MCImetro had projected. An electronic interface is critical to MCImetro's ability to provide a quality local product to Colorado consumers. U S WEST's system does not work and certainly cannot support the volume of customer transactions that MCImetro expects to generate. The attached Affidavits of Ann Podovick, Betty Johnson, and Tom Friday, along with the exhibits to those Affidavits, describe MCImetro's efforts to obtain needed information and training for IMA, the numerous deficiencies in the existing IMA system, and the status of efforts to develop an alternative interface.

3. The problem of IMA's inadequacy is compounded by U S WEST's recent announcement that it will not be prepared to roll out initial electronic interface functionality for pre-ordering and ordering for resale until April of 1998. See Friday

California, provides examples of the severe adverse effects on customers that can result from commencing local service with an inadequate support system. Ms. Taylor's Affidavit, along with the other attached Affidavits, speak for themselves. Together, they demonstrate that U S WEST has failed to provide information and training that is essential to using IMA and serving customers; IMA is in any event wholly inadequate for providing local service on a resale basis; and U S WEST offers no electronic support system for providing local service using unbundled network elements.

6. In its original petition for clarification, MCImetro stated that U S WEST interface systems must be in-place and fully tested before MCImetro's development cycle could commence. As U S WEST witness Robert Van Fossen stated both in his prefiled testimony and oral testimony in the consolidated arbitration proceeding heard by this Commission, U S WEST advised it would not have its electronic web-site interface tested until January 1, 1997. According to U S WEST, that interface, now known as IMA, would be the means by which MCImetro would begin pre-ordering, ordering and provisioning, maintenance and testing, and billing and collection services for resold services and services provided with unbundled network elements.

10. MCImetro was advised the Commission that it needed a minimum of 13 weeks for its sales marketing group "SM" and 19 weeks for its business marketing group "BM" to establish a development schedule and to design and test interfaces with U S WEST. During that process, U S WEST support and specifications had to be fully available to MCImetro's development team.

11. Before the ATUC established the deadlines for MCImetro's commencement of service, MCImetro also introduced evidence in its arbitration proceeding (ocket No. 86A-266T) of the inadequacy of systems in which functions must be performed manually (requiring individuals to perform such non-automated tasks as completing order confirmation forms and sending them by facsimile to US WEST or typing and re-typing information into the computer system). The First Report and Order issued August 8, 1996 by the Federal Communications Commission does not allow for the use of manual systems for processing orders. MCImetro's MM experiences in California and other jurisdictions have demonstrated that manual systems are inadequate. In other states where MCImetro has been offering resold-service using a highly manual process, simple customer migrations take up to 35 days. In the arbitration proceeding, MCImetro showed that it would not be able to provide services in a timely manner as required by this Commission, expected by consumers, and desired by MCImetro if it used a system with manual functions.

12. Additionally, during MCImetro's certification hearing, U S WEST witness Terry England recommended a "common carrier" certification for resale services with the recognition that MCImetro's ability to meet such a requirement would be contingent upon the permanent tariffs adopted by this Commission in Docket No. 96S-331T (the permanent costing and pricing docket) and completion of interconnection agreements. (Transcript p. 50, lines 4 through 19.) Neither of the dockets addressing these issues are completed with a final Commission decision. Hearings in Docket No. 96S-331T have been held but a final decision will not likely be issued until July of 1997. That decision will impact the discount rates presently set for the resale of U S WEST services. Even assuming the necessary interfaces and operational systems were fully functional, any services provided by MCImetro using U S WEST approved interim tariffs as the relevant costs are subject to a true-up process. Therefore, rates charged by MCImetro for resold services may be subject to change after Docket No. 96S-331T, as a result of rates adopted in that proceeding.

13. More importantly, because U S WEST has not met the time lines or provided the functionalities that it described in its testimony in the consolidated arbitration proceeding, the projections that MCImetro made in reliance on that information regarding when it could commence local service in Colorado were

based on erroneous information. U S WEST only allowed MCImetro to access its LMA system two weeks ago, and that system is not only inadequate but also provides only pre-ordering and ordering capability for resale. U S WEST now projects that it will not be prepared to offer a fully functional electronic operations support system until the fourth quarter of 1998. Even then, U S WEST has not committed that the system will include unbundled network elements.

14. Therefore, the time lines established by the Commission based on MCImetro's projections should be extended to reflect U S WEST's current estimated schedule or another schedule that the CPUC imposes upon U S WEST. Although MCImetro is opposed to delay because MCImetro wants to serve local customers as soon as possible, MCImetro cannot control when U S WEST will provide a satisfactory operational support system and cannot provide quality service to customers until such a system is available.

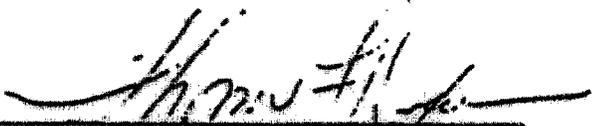
15. Accordingly, MCImetro asks the Commission to grant this motion and extend the requirement stated in Decision No. C97-4 to begin provision of local exchange telecommunications services by resale or through the use of unbundled network elements on July 31, 1997, for residential services and on October 15, 1997, for business services until U S WEST has provided a satisfactory electronic OSS interface for pre-ordering, ordering, provisioning, and maintenance and repair for all

telecommunications services it is required to make available for resale, as well as for platform and unbundled network elements.

16. If the Commission does not agree with U S WEST's current estimated schedule for providing a system to MCimetro, the Commission should impose an alternate schedule on U S WEST and condition the dates by which MCimetro will commence local service in Colorado upon U S WEST's showing that it has met that schedule. Doing so will avoid motions such as this one, in which MCimetro must seek an extension because of delays caused by U S WEST, and place the burden for providing a satisfactory CSS system upon the party who bears it under state and federal law -- U S WEST. Although MCimetro is ready, willing, and able to assist and cooperate in the necessary development efforts, the experience to date shows that U S WEST needs more incentive before those development efforts will be productive.

Dated: June 11, 1997

Wisnetto Access Transmission Services,
Inc.

By: 

Thomas F. Dixon, # 500
207-17th St., Suite 1900
Denver, Colorado 80202
(303) 291-6206
(303) 291-6333 (fax)

And

Robert W. Nichols, Esq. #17333
Attorney at Law
2060 Broadway, Suite 200
Boulder, Colorado 80302
(303) 442-4300

Its Attorneys

BEFORE THE PUBLIC UTILITIES COMMISSION
FOR THE STATE OF COLORADO

37 JUN 19 11 3 53

IN THE MATTER OF APPLICATION OF)
MCImetro ACCESS TRANSMISSION, INC.)
FOR A CERTIFICATE TO PROVIDE LOCAL)
EXCHANGE SERVICE, NOTICE OF INTENTION)
TO EXERCISE OPERATING AUTHORITY AND)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY)

DOCKET NO. 96A-267T

AFFIDAVIT OF ANN POPOVICH

1. ANN POPOVICH, being of lawful age and having been duly sworn, state:

I am a manager within MCI Telecommunications Corporation Mass Markets Local Services Marketing Operations Group. In this role, I am responsible for managing the implementation of local residential resale within the US West territory. My responsibilities include obtaining necessary information from US West that will enable MCImetro Access Transmission Services, Inc. ("MCImetro") to process local service requests within the US West territory. I have been an MCI employee since March of 1986. My experience includes approximately six years of vendor management experience with various Regional Bell Operating Companies and independent telephone companies.

2. To enter a local market and begin to resell the services of an incumbent local exchange carrier ("ILEC"), MCImetro must familiarize itself with the ILEC's products and features, as well as the ILEC's ordering, billing, and other processes relating to the ILEC's services. MCImetro cannot develop its own product offerings or train its own staff without a detailed understanding of the ILEC's services and business processes. In preparation for

providing local service through resale to residential customers in Colorado. MCImetro has attempted to gain the necessary understanding of the services and processes of US West Communications, Inc. ("US West"). To do so, I have dealt extensively with representatives of US West over the past months.

3. During that time, MCImetro has tried every possible means to get US West to share with us information that is critical to MCImetro's ability to offer local service to Colorado customers. We provided a questionnaire to US West to make its task of providing to MCImetro information regarding resale as simple as possible, requested meetings, organized regular conference calls, published and updated a list or "Register," that summarizes actions that need to be taken, and followed up with these items with telephone calls and letters. The attached letter dated May 20, 1997 accurately summarizes many of MCImetro's actions. See Exhibit A.

4. Despite these efforts, US West has failed to provide information that is essential for MCImetro to offer a resale product to customers in Colorado. The attached letters dated April 21, 1997, see Exhibit B, and June 4, 1997, see Exhibit C, accurately describe this situation. Necessary information that has been requested but not provided to MCImetro includes:

(a) Electronic Street Address Guide ("SAG") and Zone Information:

US West has a computer database containing street addresses and zone information. Because prices in Colorado vary depending on the geographic zone in which a customer resides, zone information is essential for setting prices accurately. If a new customer moves to Colorado and asks MCImetro to quote a price for local service, MCImetro cannot do so without zone information.

When US West's representatives need zone information, they can simply access a

computer database and retrieve the information almost instantaneously. When MCImetro's representatives need zone information, however, they must manually search through hundreds of pages of computer printouts, because US West provided to MCImetro a paper, rather than an electronic, copy of the zone information. The new customer waiting on the telephone line during a search for zone information will be penalized for attempting to exercise a choice of local providers by having to wait a lengthy period of time during that manual search. MCImetro needs electronic access to zone information, along with regular updates, before it can provide quality service to Colorado customers.

(b) IMA Supporting Documentation: To use US West's Interconnect Mediated Access ("IMA") system for pre-ordering and ordering, MCImetro needs the documentation that describes and explains the functions and requirements of that system. For example, when a computer operator makes an error using IMA, an error message sometimes appears on the screen. The nature of the error is indicated with a code, often labeled as an "index" error. When this type of error occurs, MCImetro cannot correct the error because US West has not provided MCImetro with a list of those codes and their meanings. US West operators can do so, because they have the error code information. Although US West provided half a day of "training" regarding the IMA system, US West did not explain details relating to system functionality and error correction techniques. MCImetro has been forced to use the "trial and error" approach to discover, learn, and investigate IMA's functionality. Experience has shown that US West's own employees who work at the help desk and are the designated point of contact for MCImetro are

unfamiliar with operation of IMA

(c) Order Information: In addition to trouble-shooting questions about IMA's functionality, questions arise regarding the content of orders, particularly when those orders have been rejected. US West has not provided a point of contact to answer such questions. For example, in one situation, a US West representative told MCImetro that US West was rejecting an order because the order contained an incorrect Universal Service Ordering Code ("USOC"). The US West representative refused to give MCImetro the correct USOC, even though US West requires a USOC with every order, and stated that US West's Interconnect Service Center simply processes orders and cannot answer questions. (Later, it turned out that MCImetro had placed the correct code on the order form. The form had been submitted by facsimile, and the US West representative could not read the USOC. This is also an example of the frailties of manual processes, such as use of facsimiles.)

(d) Feature and Product Training: Representatives of MCImetro must be familiar with US West's products and features to develop MCImetro's resold product offerings and to train their employees to provide quality service to Colorado customers. US West trains its own employees about its features and products and needs to make the same information and training reasonably available to MCImetro's representatives who must work with US West's system.

(e) Feature and Product Availability, PIC Codes, and Free Calling Area Information: Feature and product availability, PIC codes, and free calling area information are also necessary to allow MCImetro to adequately provide local service

For example, MCImetro needs to know which services US West offers within each central office before MCImetro can resell those services and products. MCImetro needs electronic copies of the PIC code, feature, and product information to build functionality into MCImetro's order entry system. Doing so will reduce the manual re-entering of data from the IMA and allow MCImetro to complete pre-order activities before submitting a local service request. Free calling information is necessary to create accurate end-user billing.

5. These items represent categories of requested information that remain outstanding. Even when US West provides information to MCImetro, it is often after a protracted struggle to obtain the information, including MCImetro's escalating requests to upper-management of US West before an issue is resolved. For example, MCImetro waited several weeks for US West to provide to MCImetro identification cards that US West requires MCImetro to use to access its IMA system. In the meantime, MCImetro was prevented from testing the IMA system. MCImetro was first able to access IMA less than two weeks ago. Even assuming an issue such as this one is ultimately resolved, the delay in the meantime is costly to MCImetro and delays local service to Colorado customers.

6. Another obstacle to providing local service has been the limitations and conditions that US West has required before US West would even proceed with testing. Naturally, MCImetro must test US West's ordering processes to ensure that they are operating before MCImetro begins serving actual customers. Such testing does not involve actual local service because the participants are employees of MCImetro and no money is paid for the service. Colorado tariff number 17 allows for such testing.

7 MCImetro requested a resale test in Colorado on March 13, 1997. See Exhibit D. US West responded in two ways that have prevented MCImetro from proceeding with necessary preparations for providing local service in Colorado and have resulted in months of delay.

First, US West attempted to impose substantial restrictions on the test that would have prevented a true test of the system. For example, US West proposed to limit the test to a small number of lines, terminate trial customers at the end of the trial, and restrict the type of orders to plain old telephone service ("POTS"). The attached letter dated April 16, 1997, accurately describes MCImetro's response to US West. See Exhibit E. Such limitations do not allow a true test of the system and would leave MCImetro unprepared to serve a volume of customers or customers who desire services other than POTS. US West's proposed limits on the test would turn the first Colorado consumer to order ISDN or Centrex from MCImetro into a guinea pig because US West would not allow full testing of its system.

8. Second, US West refused for months to allow any testing without a written agreement, despite the provision of the Colorado resale tariff allowing testing. When US West indicated that it was holding orders until a written trial agreement was executed, MCImetro responded that it was critical that US West not delay the processing of orders because no written trial agreement was necessary. The attached letter dated May 9, 1997 accurately reflects MCImetro's response. See Exhibit F.

9. When limited testing finally began, several of MCImetro's test customers received welcome, or fulfillment, letters from US West. In the letters, US West thanked MCImetro's customers for "selecting US West." An accurate copy of such a welcome letter is attached to this Affidavit. See Exhibit G. The potential for customer confusion is obvious. When MCImetro's

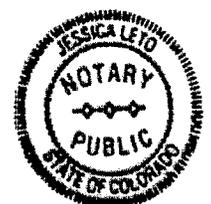
reg customers called US West for clarification, the confusion became even worse. MCImetro informed US West on May 21, 1997, and by letter dated June 4, 1997, that one MCImetro test customer was told that US West's practice is to send these letters and later to resell the service to MCImetro and was also told to call MCImetro about the problem. MCImetro also notified US West that another test customer received a second welcome letter after he called US West about the first letter. If these had been actual, instead of test, customers, the level of customer confusion and harm to MCImetro's reputation would have been substantial.

10. The cumulative effect of all of US West's delays has been to severely impair MCImetro's readiness to serve Colorado customers. US West's failure to provide critical information, training, and testing has made it impossible for MCImetro to develop products, determine and tariff prices, train its employees in products, features, and processes, test systems, and generally take the steps necessary to provide quality service to Colorado consumers. If MCImetro is prevented from providing quality service as it begins its local service in Colorado, the negative experience of Colorado consumers may inhibit them from giving MCImetro or another competitive local provider another opportunity to serve them. MCImetro wants Colorado consumers to have a choice of local providers. That choice should be a meaningful choice that will result in improved quality of service for local customers.

Ann Popovich
Ann Popovich

SUBSCRIBED AND SWORN to before me this 12 day of June, 1997.

Jessica Leto
Notary Public



MY COMMISSION EXPIRES:
OCTOBER 2, 2000



MCI Telecommunications
Corporation
177 17th Street
Suite 4200
Denver, CO 80202

May 20, 1997

Jasman Espy
Director - MCI Account Team
US WEST Communications
1801 California St., Room 2100
Denver, CO 80202

<<by fax and US Mail>>

Dear Ms. Espy,

The Colorado Public Utilities Commission (CPUC) has ordered MCI to offer commercial Residential Resale service by July 31, 1997. MCI metro fully intends to meet this CPUC order, but MCI metro requires specific information from US West in order to properly develop, price, and market our Resale products.

I am concerned that US West's continued delays in providing critical information to MCI will prevent MCI from complying with the CPUC mandated July 31, 1997 product offering date.

As you are aware, Keith Walker, who is dedicated to Resale, is heading up MCI metro's efforts in obtaining the requisite information for MCI to launch Resale service. His efforts have included:

- organizing the 4/1/97 Kick-off meeting,
- providing to US West the MCI Resale questionnaire,
- scheduling and conducting weekly conference calls,
- publishing and updating the Register of USW/MCI deliverables,
- updating the Resale Questionnaire with US West responses,
- numerous follow-up phone calls with relevant MCI/USW contacts responsible for providing deliverables,
- scheduling the 5/5/97 meeting,
- scheduling follow-up meetings (May 20-21, 1997)
- continued requests for the needed information

Prior to the April 1, 1997 Resale Kick-Off meeting, Keith Walker provided the MCI Resale Questionnaire to Dodie Osborn who routed this document throughout US West. This questionnaire was positioned as the key working document from which MCI would develop our Resale product.

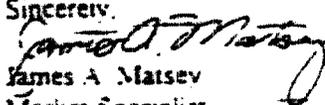
EXHIBIT A
(to the Affidavit of Ann Popovich)

Settings As the process of exchanging information has progressed several additional questions have been added to the questionnaire. To date, approximately 15 essential questions have not yet been answered. Your assistance is required in obtaining the following items:

1. Complete the Resale Questionnaire. Fifteen items remain unanswered.
2. Provide MCI with the electronic Street Address Guide (SAG). Jeff Thompson has committed to providing an electronic SAG but it has not yet been delivered. Jeff was to provide a deliverable date on May 9, 1997. Several other dates have been provided, but US West has still not delivered the SAG. The hard copy of the SAG provided to MCI is approximately 12 inches thick. The hard copy is too cumbersome and there are format concerns. Another major concern is that of timely updates to the SAG. This information must be provided electronically. If US West delivers the SAG 30 days after the Colorado Interconnection Agreement is approved, per the contract language, then MCI will not meet the CPUC's July 31, 1997 date. The SAG information provided to MCI via diskette, tape, or NDM feed will help us comply with the CPUC order.
3. Provide MCI with the feature product/product availability, PIC codes, and Free Calling Area information. Jeff Thompson refuses to discuss these items stating that "it's in negotiations." This statement is being made even after the May 9, 1997, USW/MCI meeting where Jeff committed to look into each of these areas for us.
4. Schedule the US West Features/Product training which was first requested on April 1, 1997. MCI cannot properly support the Resold services until this training is provided.

Ms. Espy, the items described above are critical in order for MCI to offer a commercial Resale product offering by the mandated CPUC date of July 31, 1997. Please provide this information and the available feature/product training dates by Friday, May 23, 1997. US West's delays to date have jeopardized MCI's ability to meet the CPUC order. Further delays on US West's part will have to be addressed with the Colorado Public Utilities Commission.

Sincerely,


James A. Matsev
Market Specialist

JAM/bms

cc Keith Galtz
Dodie Osborn
Jeana Elijan-Asnicar
Chub Pitcher
Ron Johnson

MCI Telecommunications
Corporation



Mr. William C. Stewart
Bill Stewart
Vice President, Interconnect Services
US West Communications, Inc.
1801 California
Denver, Colorado 80202

April 21, 1987

Re: Colorado resale outstanding issues

Dear Bill:

We have been working with Dodie Osborn to resolve several issues relating to MCI Metro's entry through resale into the residential local market in Colorado by the July 31st deadline. Those issues are described in the US West Action Items provided to US West on April 17th and in my letter of April 16th to Dodie Osborn relating to the Colorado resale test. Because of the July 31st deadline, time is of the essence. Yet, we have not yet received satisfactory responses to our repeated requests. I am escalating this matter to you, therefore, in an effort to obtain a prompt and satisfactory resolution of the issues relating to resale in Colorado.

As indicated in my April 16th letter to Dodie Osborne, MCI Metro intends to ask the Colorado Commission to limit the number of customers that MCI Metro is required to serve until a better OSS solution is implemented, because IMA's deficiencies would prevent MCI Metro from marketing to and serving a large number of customers. MCI Metro is waiting for a response from US West as to whether US West will support that request. Even assuming a limitation on the number of customers is granted, however, MCI Metro will be prevented from serving even that limited number of customers if US West does not provide the additional information requested by MCI Metro. Failure by US West to provide such information in a timely manner may necessitate a request for an extension of the July 31st deadline, in addition to the request for a limitation on the number of customers. MCI Metro is eager to enter the local market in Colorado and asks that US West provide the requested information immediately to avoid any such delay.

Perhaps most importantly, US West must provide to MCI Metro the requested original current carrier, calling area, NPA-NXX, service availability, and feature availability information. My understanding is that, even if MCI Metro were to use IMA with all of its deficiencies, only the latter two of these types of information are available through IMA. The other information is not available through IMA, and US West has not responded to MCI Metro's request as to how US West will provide this information to MCI Metro in a resale environment.

EXHIBIT B

(to the Affidavit of Tom Pennings)

Bill Stewart
April 21, 1997
Page Two

The requested information is essential to providing local service. For example, the zoning information is necessary because Colorado law caps rates at the rates in effect in 1995. Therefore, MCImetro's rates cannot exceed the cap including zone charges. If a new customer moves to the area and asks MCImetro to quote a rate, for example, MCImetro cannot do so without the zone information. Similarly, MCImetro needs the current carrier information to ensure that customers are provided a choice of carriers and requires the calling area by NPA-NXX to ensure that customers are not improperly charged toll-rates for calls included in the monthly line fee. (Although US West's tariff includes the local calling areas, the tariff does not show the relationship of those areas to the NPA-NXXs.)

Our understanding is that US West maintains this information in its PREMIS system and has access to it electronically. MCImetro is entitled to nondiscriminatory access to the information on par with US West. US West has neither given nor agreed to give MCImetro access to the PREMIS system, although such access is required by the Federal Act. US West has indicated that it cannot even download the information for MCImetro. Please let me know as soon as possible whether US West will provide this information electronically to MCImetro on or before April 23, 1997, to avoid bringing this issue to the attention of the Colorado Public Utilities Commission.

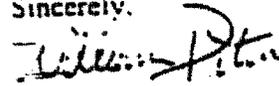
Also important to MCImetro's ability to enter the market is the information requested by MCImetro in the LEC questionnaire, which was provided to US West in March. US West has answered only a very small percentage of the questions raised in that questionnaire. Although US West agreed to provide additional information by April 13th, it did not do so. A face-to-face meeting would be the most efficient manner in which to address the questions in the questionnaire. In response to MCImetro's request for such a meeting, Dodie Osborn has indicated that US West will agree to meet with us no earlier than mid-May. Given the July 31st deadline for residential resale in Colorado, mid-May is too late. MCImetro will need to take actions internally to prepare for serving residential customers based on the information received at that meeting. A mid-May meeting does not allow time for taking such actions. We request a face-to-face meeting with individuals from US West with the knowledge necessary to answer the questionnaire, no later than May 2nd. Please let me know if you will provide the overdue written responses by April 25th and whether you will agree to a face-to-face meeting to discuss the issues raised in the questionnaire on or before April 25th.

Bill Stewart
April 21, 1997
Page Three

The other issues described in the US West Action Registry Review provided to US West on April 17 (such as important information needed to allow proper billing) and in my letter of April 16th to Dodie Osborn relating to the Colorado resale test require immediate attention. The standard responses that we receive from US West ("Have not heard back" or "Have not had a chance to check voicemail") result in delays lasting days, weeks, and even months. Such delays are unacceptable, especially given the July 31st deadline.

If we do not receive the requested information by April 23, 1997, we will need to bring these matters to the attention of the Colorado Commission. We would prefer to work them out satisfactorily before then. Please call me to discuss these issues.

Sincerely,



William M. Pitcher
(303) 291-6515

cc: Keith Galtz
Bill Ojile
Dodie Osborn
Clarence Osborne

MCI Telecommunications
Corporation



By facsimile transmission
Jasmin F. Espy
Director, MCI Account Team
Carrier Market
US West Communications
1801 California, Suite 2150
Denver, CO 80202

June 4, 1997

Dear Jasmin:

In response to your letter to Jim Matsey dated May 23rd, I will respond to each of your points in order. Generally, US West objected to MCI's statement that US West's continued delays in providing critical information to MCI will prevent MCI from complying with the Colorado Public Utilities Commission's ("CPUC") deadline of July 31st for residential resale. MCI's statement is factual, and US West's delays are well documented. This letter further addresses only a small portion of those delays.

Resale Questionnaire

The first specific item you addressed in your letter is MCI's most recent request for information responsive to the Resale Questionnaire. The Resale Questionnaire is a tool that MCI developed to make US West's task of providing to MCI information regarding resale as simple as possible. MCI had hoped that the Resale Questionnaire, combined with early substantive face-to-face meetings to clarify information provided in response to the Questionnaire, would have resulted in an understanding by the parties of US West's process and a workable carrier-to-carrier resale relationship. Instead, US West came to the first meeting unprepared to discuss the Questionnaire. Then, US West initially would not confirm a follow up meeting date and finally agreed to a date only after weeks of delay. Meantime, US West insisted on routing all requests through one individual, which created a bottleneck and more delays. The standard responses that we received from US West while that individual checked with others within the company ("Have not heard back" or "Have not had a chance to check voicemail") resulted in delays lasting days, weeks, and even months. Such delays are unacceptable and have jeopardized the July 31st deadline. As you admit in your letter, US West has only made available appropriate personnel to provide requested information firsthand within the past couple of weeks, even though MCI has been requesting information for months.

Additionally, many of US West's responses to the Questionnaire have been piecemeal and inadequate, with many issues still outstanding. Much of this information could have been provided in a timely manner if US West would have agreed to make appropriate personnel available earlier. Although you state in your letter that US West provided information responsive to the Questionnaire at the face-to-face meeting when it was finally held on May 21st, you fail to mention that more than 25% of the requested information was not produced. More importantly, the 25% that had not been produced is

EXHIBIT C
(to the Affidavit of Ann Popovich)

Ms. Jasmin F. Eady

June 4, 1997

Page 2

the most critical information. The remaining missing information includes, for example, the next two items addressed in your letter: an electronic copy of the Street Address Guide ("SAG") and product and feature training. USWC has an obligation to provide this information under the nondiscrimination and resale provisions of state and federal law.

Electronic SAG and Zone Information

The electronic SAG is the second item addressed in your letter. Although electronic access to zone information in the SAG is a key part of MCI's request, your letter fails to address zone information at all. MCI requested this information on March 13th -- twelve weeks ago. Without electronic access to zone information, MCI cannot quote rates to customers inquiring about service or accurately price services, as can US West. MCI needs electronic access to the information, along with regular updates. US West's statement that it will provide the information 60 days after the Colorado interconnection agreement is approved demonstrates that US West's provision of the information is not related to genuine development needs. It is twice the interval in the proposed Colorado contract. Also, by tying the 60 days to the date of approval of the contract (a date which is as yet unknown), US West is indicating an intent to delay production as long as possible. Because the hard copy of the SAG is a computer printout and contains the zone information, a computer version of the data obviously exists. Although US West disclaims knowledge of any "commitment dates" for providing access to this information, the federal law requires US West to give MCI access to that database. Doing so 60 days after approval of a contract is an unnecessary delay, and it will preclude MCI from meeting the CPUC's July 31st deadline.

Feature and Product Availability, PIC Codes, and Free Calling Area Information

Feature and product information, PIC codes, and free calling area information are necessary to allow MCI to adequately provide local service. MCI is entitled to access to this information at least equal to the access that US West provides to itself. US West's failure to bring individuals with knowledge about these issues to the May 5th meeting delayed resolution of this issue. Now, US West intends to obtain further delay by refusing to proceed with technical discussions pending negotiations regarding exchange of batch files. It is ironic that US West now contends that contractual terms are necessary regarding detailed issues such as this one, given US West's contrary position during the arbitrations. At that time, US West argued that CLECs were exaggerating the need for detailed contractual terms because the Federal Act's requirement of parity would protect CLECs. To date, we are very far from parity. US West must provide MCI with access to this information that is at least equal to its own access to the information.

Regarding the Free Calling Area information, you indicated that it is not stored in any OS system and cannot be made available in a batch file format. Please investigate whether such information is stored in any of your switches. If so, it is available in an

Ms. Jasmin T. Espy

June 4, 1997

Page 3

electronic format. Also, please let us know how US West accesses such information, because MCI is entitled to at least equivalent access.

Feature and Product Training and Useful Reseller's Guide

Similarly, US West provides training on products and features to itself, but has provided none to MCI, despite MCI's repeated requests for training. MCI started requesting such training on April 1st -- two months ago. The training is critical and cannot be delayed any longer.

In your letter, you refer to training materials and Methods and Procedures produced by US West. US West's produced those documents pursuant to an Order of the Iowa Utilities Board. US West's document production does not relieve US West of the obligation to provide training and a useful guide for resellers for at least two reasons: (1) the law requires US West to provide to MCI at least the level of training that it provides to itself; and (2) US West's document production is incomplete. A description of the serious deficiencies in US West's document production was provided to US West by letter dated May 15th. Copies of the tables of contents that US West provided with some of the boxes of documents are enclosed. As you can see, they provide very little information. MCI hopes to finally receive a response to its letter at today's meeting with US West.

As you mentioned, we discussed a phased approach to training, beginning with residential and small business training. While MCI would prefer simultaneous residential and business training, MCI has agreed to discuss the phased approach simply to get things moving and avoid any further delays.

Additional Issues

MCI and US West have participated in ongoing conference calls to discuss resale issues. MCI understood these calls to be working sessions among business representatives of both companies. During recent calls, however, MCI discovered that one of the participants for US West was its attorney. On Friday's call, this did not become apparent until about halfway into the call. MCI asks that, at a minimum, US West identify any attorneys as attorneys at the outset of such calls. MCI also requests that US West notify MCI before a call or meeting if attorneys for US West will be present to give MCI an opportunity to also have its attorney present. This request is consistent with the attorney's obligation not to deal directly with a party known to be represented by an attorney.

All of these issues are in addition to the delays resulting from the problems with US West's Interconnect Mediated Access ("IMA") interim ordering interface system. With respect to provision of information, for example, MCI needs a key to US West's error codes: Billing Account Numbers for US West's Western and Central regions; and a

Ms. Jasmin F Espy

June 4, 1997

Page 4

description of the changes that US West is making or intends to make to the IMA in its new release. Although US West has indicated that it will provide the latter information a mere two weeks before releasing the changes on July 19th, doing so would allow MCI only eleven days for hands on training on the IMA system and preparation for its launch, if the July 31st deadline is not extended. That is clearly insufficient time to do so. US West should describe its plans to MCI at this time, so MCI may prepare accordingly. The IMA issues have been raised separately with US West, so no attempt has been made to list all of them here.

Michael Beach has requested a meeting with Clarence Osborn of US West to resolve the disputes involving both the missing information and the IMA interface, as well as facilities issues. We trust that the meeting will occur soon and that US West will be prepared to address the issues raised in this letter at that meeting.

Sincerely,



William M. Pitcher
(303) 291-6515

cc: Clarence E. Osborn, *by facsimile & by mail*
Bill Stewart, *by facsimile & by mail*
Mike Olson, *by facsimile & by mail*
James A. Matsey

MCI Telecommunications
Corporation
707 17th Street
Suite 4200
Denver, CO 80202



March 13, 1997

Ms. Dodic Osborn
USWest Communications, Inc.
1600 Seventh Avenue, Room 1806
Seattle, WA 98191

Dear Dodic,

MCI Metro is conducting a nation-wide Resale test with all of the Regional Bell Operating Companies. This letter will address the details and scope of this test.

This Resale test is designed to work through the initial ordering, processing, billing and operational aspects of providing USWest resold telephony service to both residential and business customers. We will be performing these tests with MCI employees and MCI business sites. Colorado is our first priority although MCI plans also plans to test in 6 other states.

On the residential side, the states and number of participants are as follows:

STATE	APPROXIMATE # OF RESIDENTIAL PARTICIPANTS
Colorado	60
Arizona	30
Iowa	15
Minnesota	15
Oregon	15
Utah	15
Washington	15

On the business side, we will be converting approximately 2 - 5 business lines and/or 2 trunks per MCI facility. MCI may add additional business sites to this test at a future date. The states and number of sites per state that are in the current test plan include:

STATE	APPROXIMATE # OF BUSINESS SITES
Colorado	2
Arizona	1
Iowa	1
Minnesota	1
Oregon	1
Utah	1
Washington	1

EXHIBIT D
(to the Affidavit of Ann Popovich)

MCI is not intending to test the maximum limits of our processing groups or systems, as evidenced by the small numbers included in this test. Since the scope of this test is limited, MCI will transmit all orders in the OBF approved LSR format via facsimile.

Also, on page 19 of the USWest Customer Profile Form, it is noted that "Diane will provide" the minimum requirements for data transmission/electronic access, for pre-ordering, ordering, repair/maintenance. What are the minimum requirements, and when will they be provided to MCI?

Jim Matsey is the lead Project Manager who will be coordinating this test. He is also in the process of completing 21 page Customer Profile that you require prior to processing any MCI Resale test orders.

If you have any questions, please contact Jim Matsey or me.

Sincerely,


William M. Pitcher

cc: D. McManus
T. Farmer
M. Beach
J. Matsey
B. Lewis



MCI Telecommunications
Corporation
1775 Broadway
Suite 4700
Denver, CO 80202

By facsimile & by mail
Ms. Dodie Osborn
US West Communications, Inc.
1600 Seventh Avenue, Room 1306
Seattle, WA 98197

April 16, 1997

Re: Colorado resale test/interim IMA

Dear Dodie:

In previous discussions, we indicated that MCImetro would respond to you regarding US West's counterproposal for the resale test in Colorado. This letter addresses that test. In addition, we have had discussions about whether MCImetro and US West should enter into an agreement governing operational support system (OSS) issues for the 14 states in US West's territory. MCImetro will consider adopting one agreement for the 14 states and will continue to negotiate with US West to do so. To date, the terms offered by US West are neither adequate to serve customers nor reflective of the rulings in the majority of arbitrations between US West and MCImetro. The majority of those arbitration decisions reject IMA (the Web proposal). To the extent that the state commissions have required further negotiations, they have generally required the parties to negotiate contracts consistent with those decisions. If a 14-state agreement is reached, therefore, it should be consistent with the majority of arbitration decisions on OSS.

With respect to the Colorado resale test, Colorado presents a unique case because the Public Utilities Commission has ordered MCImetro to provide residential service throughout US West's territory by July 31, 1997. MCImetro is eager to meet that requirement. Unfortunately, the IMA offered by US West for operational support systems makes doing so impossible.

IMA is inadequate to serve the number of customers that MCImetro anticipates will seek to take advantage of MCImetro's services. MCImetro has approximately 8,000 employees in Colorado. (That number does not account for all of the other potential customers who may seek to switch to MCImetro.) If all or most of those employees sought to switch to MCImetro for local service, MCImetro could not process and install the orders satisfactorily or at parity with US West because of the deficiencies in the IMA system. MCImetro's customers would not realize that the reason for the unsatisfactory service is an insufficient US West OSS interface, versus MCImetro's ability to deliver service at intervals at parity with US West. Therefore, MCImetro, and not US West, would lose customer goodwill that may never be regained. Meantime, US West would have a competitive advantage in serving the customers using its own, different system.

EXHIBIT E

(to the Affidavit of Ann Panavich)

Ms. Dodie Osborn
April 16, 1997
Page Two

Because IMA's deficiencies would prevent MCImetro from marketing to and serving a large number of customers, MCImetro cannot both use IMA and meet the requirement that MCImetro serve any customer in US West's territory who requests service. Therefore, MCImetro intends to ask the Colorado Commission to limit the number of customers that MCImetro is required to serve until a better OSS solution is implemented. MCImetro could only accept US West's proposal to use IMA on an interim basis subject to approval by the Colorado Commission of MCImetro's request. If US West can not or will not offer a better interim solution for OSS in Colorado than IMA, US West should support MCImetro's request to the Colorado Commission to limit the number of customers MCImetro must serve.

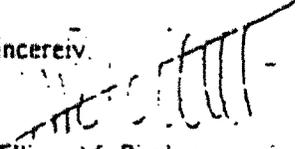
In addition, the terms of the resale test offered by US West are too limited to provide any kind of a meaningful test. For example, whereas MCImetro, in its letter dated March 13, 1997 to you, proposed a resale test for 60 residential customers, US West has proposed only 15 lines (not customers). Additionally, US West proposes to limit the test to 30 days, to allow only simple (as opposed to complex) orders, and to terminate the trial customers at the end of the trial. These limitations would prevent a true test of the system. Thirty days, for example, is particularly insufficient for testing billing. For MCImetro to commence service in Colorado by July 31st, US West must allow MCImetro to fully test the system in a production environment so that test participants -- and not Colorado consumers -- experience any trial-and-error necessary to perfect the system.

US West has also proposed limiting the test to three states, instead of the seven states proposed by MCImetro. MCImetro continues to believe that a test in all seven states is necessary. If US West will not perform a resale test in all of the states requested by MCImetro, MCImetro believes that, at a minimum, the tests should be conducted in Colorado, Iowa, Minnesota, Oregon, and Washington.

MCImetro intends to request additional unbundling trials as well, in addition to the request for a test of the various delivery systems that has already been made in Iowa. (See the enclosed letter to Keith Galitz). We will contact you soon to discuss this issue further.

I would like to discuss with you terms of the resale test in Colorado, and a number of other states, as soon as possible. Also, please let me know if US West will support MCImetro's request to the Colorado Commission to limit the number of customers that MCImetro must serve while using the IMA.

Sincerely,


William M. Pitcher
(303) 291-6515

cc Keith Galitz
Clarence Osborne (w/enclosure)

MCI Telecommunications
Corporation

127 17th Street
Suite 4200
Denver, CO 80202

*5/9/97
James Nunn*

May 9, 1997

Jeanne Elijah-Asnugar
US WEST Communications
1801 California Street, Room 2420
Denver, CO 80202

Dear Jeanne:

In our recent conference calls, we have discussed whether US West and MCI should enter into agreements governing resale and unbundling trials and on what terms. You have also provided to MCI a proposed resale trial agreement and have asked for my response. I will respond briefly here and look forward to discussing these issues with you further.

MCI is reviewing US West's proposed resale trial agreement, as well as reviewing whether a written unbundling trial agreement can be drafted in such a manner as to allow enough flexibility for trial situations. A written agreement may provide a convenient guide for both parties in conducting a test, but unnecessary restrictions on the ability to structure trials to meet MCI's business needs could defeat the purpose of testing. As I have indicated in my letters to Keith Galitz, US West must allow MCI to fully conduct tests in a production environment so that test participants -- and not consumers -- experience any trial-and-error necessary to launch service. Doing so requires the ability to adjust to changing circumstances as they arise.

Therefore, any written agreement, such as US West's proposed resale trial agreement, cannot be unnecessarily restrictive. Although I will provide a more detailed response to that proposal soon, I will use an illustration from that agreement here. Paragraph three of US West's proposal contemplates trials beginning in Colorado, with later written agreements as to additional phases. Such a protracted approach does not accommodate MCI's business needs. MCI needs to conduct tests in several states. Those trials will likely occur simultaneously, and which states will depend on changing factors such as business needs, commission or legislative direction. We cannot foreclose the possibility that MCI will need to conduct simultaneous trials in several states. MCI is open to continuing to discuss whether an agreement can be crafted that benefits both parties but does not inhibit full testing.

It is critical, however, that in the meantime any negotiations over trial terms do not hold up processing of trial and non-trial orders. You indicated in our conference call this week that US West is holding orders until a written agreement regarding trials is executed. However, US West has an obligation to provide resale and unbundling under the federal act and the various arbitration orders. Under the law, no written agreement or tariff is necessary to conduct tests. Although the parties may agree that testing will be facilitated by discussions and possibly a written agreement governing at least some trials, trials are not contingent upon such an agreement. MCI will continue to place test orders.

EXHIBIT F
(to the Affidavit of Ann Popovich)

and US West must process them. We would like such testing to be as cooperative as possible and hope to continue to discuss with you about the tests and any necessary adjustments as we work through the process.

MCI has not agreed to hold any orders in abeyance while negotiations are proceeding. In Iowa, for example, MCI placed an unbundling order on May 1st. Under Section 3.4 of Attachment 5 of the Iowa contract, US West should have provided to MCI a Firm Order Confirmation (FOC) within 24 hours of receipt of that order. Yet, we have received no response from US West. US West is under an obligation to process that order. Please let me know the status of that order.

We will continue to discuss these issues. Meantime, our business needs require that we press forward to ensure that processes and systems are operational so that competition is not delayed. I look forward to continuing to discuss these issues with US West.

Sincerely,



William M. Pitcher

WMP/bms

cc: Jasmin Espy (Fax: 303 896-5335)
Dodie Osborn (Fax: 206 346-8938)
Keith Galitz (Fax: 303 965-9301)

BEFORE THE PUBLIC UTILITIES COMMISSION
FOR THE STATE OF COLORADO

57 JUN 16 PM 3:53

IN THE MATTER OF APPLICATION OF)
MCImetro ACCESS TRANSMISSION, INC.)
FOR A CERTIFICATE TO PROVIDE LOCAL)
EXCHANGE SERVICE, NOTICE OF INTENTION) DOCKET NO 96A-267T
TO EXERCISE OPERATING AUTHORITY AND)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY)

AFFIDAVIT OF BETTY JOHNSON

1. BETTY JOHNSON, being of lawful age and having been duly sworn, state:

1 I am the Local Order Coordination Manager for MCI Telecommunications Corporation ("MCI") in Denver, Colorado. I am responsible for managing the provisioning of all customers who have elected MCImetro Access Transmission Services, Inc. ("MCImetro") as their local service provider. This includes managing the exchange of customer local order requests and account information between MCImetro and incumbent local exchange carriers, such as US West Communications, Inc. ("US West").

2. The purpose of this Affidavit is to describe the experience of MCImetro in attempting to use US West's interim operations support system for pre-ordering and ordering. US West's system is known as the Interconnect Mediated Access ("IMA") system. As an example, I focus on one particular day in which MCImetro attempted to place two orders. I explain the adverse effect that such problems would have on customers, as well as MCImetro's reputation, if this experience was replicated with actual customers. I then discuss the other limitations of US West's system that were not encountered on that day because the system

rejected MCImetro's orders even before reaching a point at which the other limitations would be apparent

3 At this time, US West does not offer a fully electronic interface device for conducting pre-ordering activities (such as reserving a telephone number) and placing orders. Instead, US West uses a gateway system based on World Wide Web technology that has some electronic components but is primarily a manual (non-automated) system for pre-ordering and ordering. Each manual component to the process increases the cost, time to process an order, and risk of error. I understand that the Colorado Public Utilities Commission ("CPUC") stated in Decision No. C96-1337 (on page 74) that providing some parts of the operations support system function on a manual basis does not meet the nondiscriminatory requirements of the federal Telecommunications Act. Because of the manual nature of US West's process, the problems described in this Affidavit would be compounded greatly as the number of customer transactions increased.

4 On Thursday, June 5, 1997, I participated in a meeting at an MCImetro facility in Denver, Colorado, that was attended by staff members from the CPUC and the Colorado Office of Consumer Counsel ("OCC"). The meeting was designed to demonstrate to the CPUC and OCC the functionalities of US West's Web-based system for pre-ordering and ordering and to demonstrate the actual placement of orders on that system.

5 To demonstrate use of the IMA system, Sylvia Brayboy, a staff coordinator who works under my supervision, attempted to place two test orders using that system. I personally observed her attempts to submit these orders. Ms. Brayboy attempted to process orders for two MCImetro employees using the on-line system. Both employees had authorized the placement of

the orders. I will refer to them in this Affidavit as Employees A and B to protect their privacy (The names will be produced to the CPUC, if requested.) Both orders were resale orders, because IMA does not accept platform orders or orders for unbundled network elements. The process for placing non-resale orders is manual (and involves sending the orders by facsimile).

6 To place a resale order using IMA, the operator must first access the individual's Customer Service Record ("CSR"). Although the response time was not immediate, Ms. Brayboy was able to access Employee A's CSR and to retrieve the customer information contained in the CSR. The next required step is to validate the address in the CSR. When Ms. Brayboy attempted to do so, the second screen indicated "Validate Address Again." It then provided a list of addresses that should have included Employee A's address. The choices provided did not match his address and were not even in the same city. Because IMA will not process an order without a validated address, the attempt to process Employee A's order failed.

7 IMA does not allow an order to be saved and retrieved at a later time. Once a pre-ordering session has commenced, the entire order must be completed, or it is lost. In addition, an IMA session will automatically terminate, or "time-out," after 60 minutes without activity. These limitations, when combined, mean that an MCI metro representative must either resolve the issue within 60 minutes or re-start the order process. As discussed below, US West took longer than 60 minutes to resolve this issue. Not only is a customer unlikely to wait patiently through such a process, but also the MCI metro representative cannot use the computer to conduct any other business while resolving an issue. Therefore, Ms. Brayboy had to discontinue the failed order and move on to the next order.

8 The next test order was for Employee B. Ms. Brayboy entered all of the required information relating to Employee B in IMA's Pre-Order screen. She then properly attempted to retrieve his CSR by clicking on the "Get CSR" option. Instead of Employee B's CSR, IMA retrieved an empty record. She then attempted to retrieve CSRs for other known US West customers, and all queries returned blank screens. IMA does not allow an order to proceed without a CSR. Therefore, the attempt to place this order also failed.

9 I then attempted to retrieve the CSR for my own account. The CSR reflected incorrect address information. It listed my address as "Circle," when it should be "Street." If a medical emergency occurs at my address, this could result in a critical situation. MCImetro has experienced multiple occurrences of missing or invalid address information on IMA. These problems prevent MCImetro from validating addresses and proceeding with an order.

10 Similarly, when attempting to retrieve the address of one of my co-workers, the CSR did not include all of the units within her apartment building, including her own. To a customer service representative, it would appear as though the address did not exist. The customer on the telephone attempting to place an order for MCImetro service would likely assure the representative that the address does exist, because the customer lives there. The MCImetro representative would nonetheless be unable to proceed with the order because IMA requires validated addresses.

11. After making her attempts to process orders using IMA, Ms. Brayboy contacted the US West Help Desk and spoke with Mr. Connie Harrison. He recorded the problem, placed the call on hold for more than ten minutes, and then came back on the line to state that he needed to page Troy McCleary to answer MCImetro's question. Mr. McCleary is US West's Application

Support Specialist. I requested Mr. McCleary's pager number. Mr. Harrison placed the call on hold for another five minutes and then returned to the call to tell me that he could not reveal Mr. McCleary's pager number. Ms. Brayboy and I were on-line with the US West Help Desk for more than 15 minutes, only to be told that we needed to wait for a return call from yet another US West person.

12. Mr. McCleary returned the call approximately ten minutes after the page and said that he would call Ms. Brayboy after he returned to his office. Another 15-20 minutes passed before he returned the call. Only at that point was US West able to duplicate the problem on a computer.

13. Initially, Mr. McCleary indicated that he believed the problem was due to user error on MCImetro's part. When he tried to retrieve the same CSRs, however, Mr. McCleary could retrieve only one of them. He also attempted to locate his own CSR but could not do so. He then committed to further investigate the problem.

14. Several hours later, Mr. McCleary re-contacted Ms. Brayboy. He said that, to refresh the memory of a query task when requesting CSRs, the system requires the user to select "New Customer," which is found on the bottom of the Pre-Order screen. This was the first time this information was communicated to MCImetro. It is apparent that this is a situation of which even US West's support personnel were unaware before MCImetro escalated the problem from the Help Desk personnel to an Application Support Specialist.

15. The problems experienced by MCImetro in using IMA on June 5th, while frustrating in a test situation, would be very serious in an actual customer setting. Several hours elapsed between the time that US West learned of the problems encountered using its system and

when US West finally responded to MCImetro with an answer. In the meantime, the orders could not be completed. Obviously, if the customers had attempted to place an order over the telephone, the customer would have lost patience long before the problem was resolved. The customer is unlikely to be satisfied with an explanation that US West's system is inadequate and will probably blame MCImetro. These deficiencies in IMA increase the difficulty of resolving a situation to a customer's satisfaction and severely limit MCImetro's ability to serve customers, especially customers in any volume.

16. Even when an order is not rejected, using IMA is fraught with difficulties and manual steps. The two orders that MCImetro attempted to place on June 5th were both migrations of service from US West to MCImetro. If MCImetro were going to place an order for a customer who did not already have telephone service with US West, MCImetro would need to determine in which "zone" that customer lives to determine the monthly fee to quote to and charge that customer. In Colorado, the zone in which a customer resides determines which of four monthly line-fees a customer will pay. US West representatives may easily access this information by computer, while MCImetro representatives will need to search manually a paper report that is approximately one foot thick, printed on both sides. This manual process, when done with the customer on the telephone line, will increase substantially the amount of time the customer will be on the telephone to place an order.

17. Assuming MCImetro is able to access the IMA, retrieve a CSR, validate an address, locate the zone information in the paper report, and complete an order using IMA, MCImetro still may not be able to send the entire order over IMA. IMA does not accept directory listings for new installations. MCImetro must fax the directory listing to US West using

a paper directory listing form. This increases the amount of time and work that is required to complete an order. The process is also manual on US West's side. US West will need to match the order and the directory listing in its service center and manually key them into its legacy systems.

18. If MCImetro wanted to send in an order for Centrex or Unbundled Network Elements ("UNEs"), MCImetro would have to use the paper forms for this type of order as well. IMA may be used only for Plain Old Telephone Service ("POTS") resale orders. To place an order for UNEs, for example, MCImetro must complete a seven-page order form and manually send it by facsimile to US West.

19. Two additional situations require MCImetro to manually complete paper order forms. The first occurs when a customer decides to change or expand his or her order after placing the initial order. When the customer calls again to indicate that he or she forgot to order a feature, such as caller id., MCImetro must complete the entire paper order form and send it by facsimile to US West. Because IMA has no save or retrieve function, it cannot be used to supplement or change orders. The entire order must be re-submitted manually if the initial order was completed using IMA. US West must then manually relate the later order to the earlier one.

20. The second additional situation in which MCImetro must complete the paper order form and send it manually by facsimile to US West occurs when a customer cancels an order. Orders cannot be canceled in IMA. Although it is fair to assume that some customers will cancel orders and many others will make changes, US West's IMA system does not account for these routine situations. Instead, MCImetro must use a manual process in the same situations in which US West may use an automated process.

21 IMA is a manual process in additional respects. For example, if MCImetro submits a multi-line order, IMA requires MCImetro to submit each line as though it were a single line order. For example, if a customer orders five lines, MCImetro must enter each order for each line individually. In other words, if it takes eight screens to create and submit an order for one line, a five line order will require accessing forty screens. Because of these limitations, consecutive telephone numbers cannot be saved. This will very likely cause customer dissatisfaction and inconvenience.

22 In addition to manual completion of facsimiles, IMA requires manual order entry at more than one point in the system. At a minimum, MCImetro must enter the order into its system and into IMA, and US West must manually enter it into its system. Because the order must be entered into three order entry systems, there is more room for order entry error.

23 If an order entry error occurs, MCImetro has no way to discover the error after the order is sent through IMA. IMA is not visible to the user. Therefore, if a mistake is made, MCImetro has no way to track the order. MCImetro will not know whether US West has provisioned the services, features, and directory listings desired by the user. The first notice that MCImetro will receive of an error will likely be through a complaint from the customer. The customer will not realize that US West, and not MCImetro, caused the error.

24 Telephone number reservations are also a problem using IMA. IMA requires MCImetro to complete an entire work order process to obtain a telephone number. Because there is no clean break between the pre-order and order processing functions within IMA, MCImetro must complete the work order to retain the telephone number given to the customer. This means that MCImetro may not in all instances be able to complete pre-order activities of

credit verification and third party verification of local service orders. If for any reason these activities cannot be completed while the customer is on the telephone, MCImetro must resubmit the order. If the order later is rejected for any reason during the pre-order stage, the order must be manually canceled by submitting the paper form by facsimile.

25. As these examples demonstrate, US West's IMA application is a very manual process with many pitfalls for users. Without adequate training of personnel, the problems are exaggerated even more. Each manual step causes delay, sometimes substantial, and creates significant risk of error. Because IMA does not allow the user to save, retrieve, or track an order, the error will often go undetected. For example, the Firm Order Confirmation that US West sends by facsimile to MCImetro does not list the features ordered. It simply confirms that an order was received. MCImetro will not learn if the incorrect features were given to a customer until the customer calls to complain. The customer is unlikely to be satisfied with an explanation that this was not MCImetro's fault because US West uses an inadequate operations support system.

26. By including manual steps in IMA, US West makes its competitors dependent on the hours, efficiency, and accuracy of its own employees -- including their incentive or lack of incentive to be efficient and accurate. Also, manual arrangements increase competitors' costs in two ways: competitors must employ more people to handle the process and to audit US West's performance; and US West will try to pass its own inflated costs through to competitors. Therefore, a process with manual steps, such as IMA, is unnecessarily inefficient and costly. Even if the IMA system were to work perfectly, its inherent limitations would prevent use of it to place a large volume of orders because of the various manual steps required.

Betty Johnson
Betty Johnson

SUBSCRIBED AND SWORN to before me this 16 day of June, 1997

[Signature]
Notary Public



MY COMMISSION EXPIRES:
OCTOBER 2, 2000

100-100-100

BEFORE THE PUBLIC UTILITIES COMMISSION, 10 19 78 3: 53
FOR THE STATE OF COLORADO

...

IN THE MATTER OF APPLICATION OF)
MCImetro ACCESS TRANSMISSION, INC.)
FOR A CERTIFICATE TO PROVIDE LOCAL)
EXCHANGE SERVICE, NOTICE OF INTENTION) DOCKET NO 96A-267T
TO EXERCISE OPERATING AUTHORITY AND)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY)

— AFFIDAVIT OF TOM PRIDAY

I, TOM PRIDAY, being of lawful age and having been duly sworn, state:

1. I am the Senior Manager of Local Operations and Support Systems ("OSS") Implementation for the West Region group of MCI Telecommunications ("MCI") located in Denver, Colorado. I have been employed with MCI since November 1985. Over the past eleven-and-a-half years with MCI, I have held management positions in a variety of Financial Operations groups in St. Louis, Atlanta, and Denver. This experience includes more than six years in vendor and systems management with Bell Operating Companies and other major MCImetro vendors.

2. I currently have responsibility for establishing the various OSS interfaces for pre-order, order, maintenance, and billing with the three Bell Operating Companies within MCI's West Region -- U S WEST Communications, Inc. ("US West"), Pacific Bell and Southwestern Bell.

3 The purpose of my Affidavit is to describe the current status of US West's development of an Electronic Data Interchange ("EDI") for exchange of information between US West and MCImetro Access Transmission Services, Inc ("MCImetro"), including US West's own, recently announced projected time line for that development.

4 Operations support systems ("OSS") are the computerized and automated systems, together with associated business processes, that carriers use to conduct business functions such as pre-ordering, ordering, provisioning, maintenance and repair, and billing. These system interfaces are critical to MCImetro's ability to provide a quality local product to Colorado consumers.

5 In today's environment, a carrier simply cannot compete without powerful and efficient OSS capabilities. Like other Bell Operating Companies, US West has for years used highly complex OSS systems to manage its internal processes and customer interactions. These well-tested systems ensure, for example, that customer service representatives have immediate real-time access to all information necessary to respond fully and correctly to customer queries about such things as the variety and prices of services available or the status of repair calls. The systems also ensure such things as correct processing of customer orders and accurate and timely billing. MCImetro cannot provide quality service or compete in today's market unless it receives at least the same scope of information, accuracy of information, and timeliness of communication as US West provides to itself.

6 This Affidavit deals primarily with the system used for two of the operational support functions: pre-ordering and ordering. Pre-ordering generally refers to the ability to provide a customer with information such as the availability of features and services or give the customer a telephone number. Ordering allows a competitive local service provider to place orders with an incumbent local carrier, such as US West.

7 At present, US West has made operational only one system for pre-ordering and ordering. That system, which is known as Interconnect Mediated Access ("IMA"), is based on World Wide Web technology. Therefore, it suffers from any infirmities, such as security risks, that are posed by use of Web technology. Several parts of the operational support function must be preformed manually, requiring individuals to perform such non-automated tasks as completing order confirmation forms and sending them by facsimile to US West or typing and re-typing information into the computer system. Therefore, IMA is not a wholly electronic (computer-to-computer) interface.

The attached chart shows the number of manual steps required when processing an order using IMA and also demonstrates the disparity in the greater number of manual steps that MCI must perform to use IMA as compared to US West. See Exhibit B.

8 In the interim, until an electronic interface is available, US West proposes to use IMA for pre-ordering and ordering. For months, MCImetro has attempted to obtain information and training to allow MCImetro to access and use the IMA system to confirm whether the system is sufficient to allow MCImetro to provide service to customers in Colorado. Only within the last two weeks has US West even allowed MCImetro to access the IMA system. Actual use of the system has shown that the

deficiencies are even worse than MCImetro had projected

9 US West's IMA system simply cannot support the significant volumes of customer transactions that MCImetro expects to generate. IMA cannot support even a small number of customers because it does not allow MCImetro to access information regarding geographic zones that is needed to determine pricing in Colorado. For all of the reasons that the Colorado Public Utilities Commission ("CPUC") and the Federal Communications Commission ordered use of an electronic interface consistent with national standards, the availability of an operational electronic interface is critical to MCImetro's ability to begin providing quality service to Colorado customers.

10. Although US West presented its Web-based IMA proposal as an alternative in the interim until an electronic interface was available, IMA does not even begin to provide the support necessary to adequately serve local customers. Use of the IMA system would place MCImetro and other new entrants into the local market at such a severe competitive disadvantage that they would likely never re-gain customer confidence after a satisfactory system becomes available. The customer experience would be so bad that customers likely would be unwilling to give MCImetro or other competitors another chance. A fully automated system is essential.

11. In February of 1997, US West indicated that it planned to provide ordering through an EDI. EDI is the method by which the customer data is formatted or organized. It is a less sophisticated type of automated access than a type known as electronic bonding. At a meeting on March 27, 1997, US West estimated that its EDI application would be operational in approximately October of 1997.

12 In April, MCImetro notified US West that MCImetro would follow the recommendation of an industry standards body called the Electronic Communications Implementation Committee ("ECIC"). ECIC has endorsed the Transactions Capability Protocol ("TCP"/Internet Protocol ("IP") using Secured Sock Logic ("SSL"), also known as "TCP/IP/SSL," as an interim solution. TCP/IP is the transportation protocol (similar to an envelope for a letter) by which the EDI formatted data is transferred or sent between the two companies. SSL provides the security layer for the data interexchange. Unlike US West's Web-based IMA proposal, TCP/IP/SSL is more consistent with evolving national standards and will allow a smoother transition to the long-term solution for pre-ordering and ordering.

13 In mid-April, US West agreed to perform a technical evaluation on US West's use of TCP/IP/SSL. On April 28th, Robert Van Fossen of US West informed MCImetro that US West's technical evaluation did not uncover any limitations that would prevent use of TCP/IP/SSL.

14 On May 7th, Mr. Van Fossen confirmed that US West would support and use TCP/IP/SSL for pre-order and order transactions. He said, however, that US West was imposing two conditions on its consent to use TCP/IP/SSL. First, he indicated that US West would not implement TCP/IP/SSL without an executed OSS contract with detailed provisions in a Joint Implementation Agreement ("JIA"). Second, he stated that "chargeable" development costs would have to be negotiated with MCImetro before any implementation of TCP/IP/SSL.

15 On May 12th, MCImetro asked Diane Vogel of US West to include the

topics of use of EDI for ordering, use of electronic bonding for maintenance and repair, and industry standards in a technical meeting to be held on May 22nd. MCImetro received confirmation that US West would be prepared to discuss EDI and electronic bonding. However, after the meeting was established and a number of MCImetro employees had made plans to fly to Denver, Ms. Vogel notified MCImetro that US West would not address EDI, electronic bonding, or industry standards at the meeting because she was unable to get the appropriate subject matter experts to attend the meeting.

16 Only after MCImetro escalated its request within US West did US West agree to discuss these topics -- but not until a future, unspecified meeting date. Even though a commitment for the meeting was received, MCImetro was forced to escalate its request to the director of US West's MCImetro Account Team before US West would commit to a meeting date to discuss EDI and electronic bonding. See Exhibit A.

17 Before the requested technical meeting, MCImetro asked US West several times for US West's EDI system specifications in advance of the meeting. US West provided no specifications to MCImetro before the meeting.

18 On June 9th, the meeting to discuss EDI and electronic bonding was finally held. MCImetro came to the meeting anticipating that the requested specifications would be made available. Instead, US West provided only a draft of AT&T-specific requirements to MCI. US West indicated that it was still in the process of finalizing requirements and did not expect to have them finalized until at least July 18th.

19 US West was prepared to discuss only EDI implementation for resale of plain old telephone service ("POTS"). US West did not provide a commitment date for

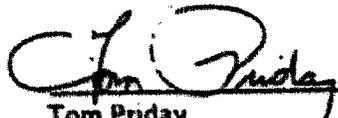
the ordering of Platform, Centrex, PBX Trunks, or Unbundled Network Elements ("LINES"), nor was it even prepared to discuss these issues. These omissions from US West's proposal severely limit MCImetro's ability to provide these products and services for the indefinite period until US West will commit to development of an operational support system for them.

20. Even more damaging to MCImetro's plans to serve customers in Colorado, US West stated that it will not be prepared to roll out Phase I EDI functionality until April of 1998. That is six months later than US West's previous projection -- and seven months after the CPUC's residential resale deadline of July 31st.

21. Furthermore, US West said that full EDI functionality for pre-order and order will not be available until sometime in Fourth Quarter of 1998. US West's limited EDI proposal is based upon Local Service Ordering Guidelines ("LSOG") Version 1. LSOG Version 2 was effective in April of 1997, and it is expected that LSOG Version 3 will be effective August 1997. By the time US West provides full functionality in Phase III, the system will be a minimum of two versions behind industry standards.

22. The well-documented deficiencies of IMA make it unsuitable even as a very short-term solution. Through no fault of MCImetro, the customer's experience when buying resold products from MCI would be volatile and negative overall. MCImetro's reputation would be so badly damaged if it had to use IMA until the Fourth Quarter of 1998 that MCImetro would likely lose not only its local customers but also its long distance customers.

23 Neither MCImetro nor Colorado customers should be burdened with the delays and complications that would result from use of US West's largely manual system, particularly for that length of time


Tom Priday

SUBSCRIBED AND SWORN to before me this 16 day of June, 1997


Notary Public



MY COMMISSION EXPIRES
OCTOBER 2, 2000

USW OSS Interface

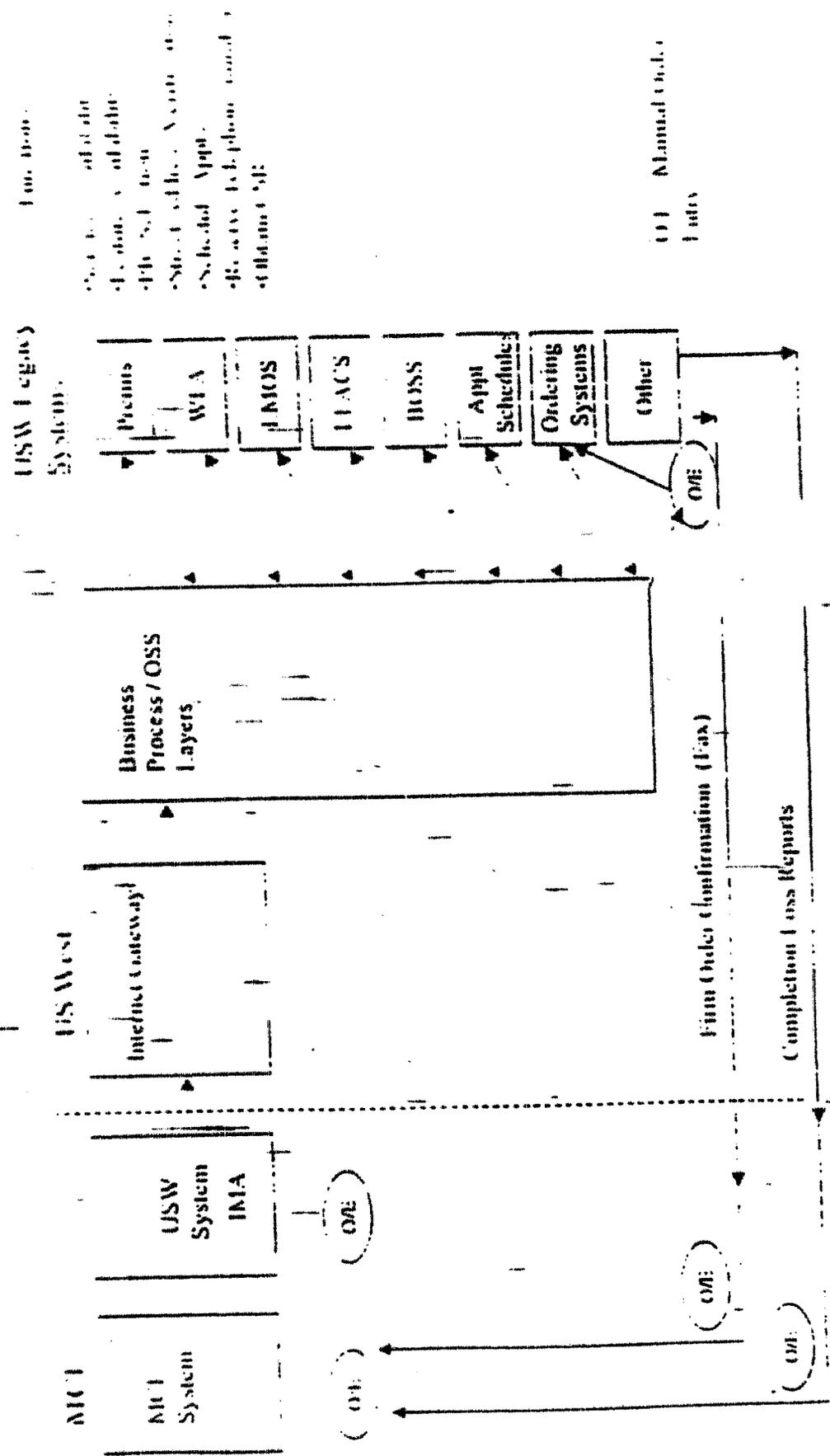


EXHIBIT A

(in Affidavit of Task Order)

MCI Telecommunications
Corporation
1700 Broadway
Suite 400
Denver, CO 80202



Jasmin Elzy
Director
US West Communications
301 California St., Suite 2100
Denver, CO 80202

Dear Jasmin,

For some time, MCI has been asking US West to move forward with Operational Support Systems (OSS) discussions to support our future business needs. As we have repeatedly indicated, long term use of US West's Interconnect Mediated Access (IMA) application does not support these needs. In particular, we request your assistance in setting up previously requested technical meetings to discuss the following:

- 1) Ordering via Electronic Data Interchange (EDI)
- 2) Repair/Maintenance via Electronic Bonding (EB)

In Joe Zell's letter to Michael Beach on February 23, 1997, Mr. Zell indicated that USWC was planning to provide Ordering via EDI and Repair/Maintenance via EB. Mechanized specifications and standards for the Ordering of Resale POTS, Straight Line Listings, Loops and Ports have been finalized by the Ordering and Billing Forum (OBF). Electronic Bonding has been approved as the industry standard for Repair and Maintenance. Therefore, both parties need to move forward expeditiously with the necessary technical discussions on implementation. MCI is more than ready to proceed with these discussions.

On May 12, MCI asked Diane Vogel of US West to include both topics in the technical meeting that was set up for May 12. MCI received confirmation that US West would have the appropriate Subject Matter Experts available to discuss EDI and EB. However, after the meeting was established and a number of MCI people had made plans to fly to Denver, Diane Vogel notified MCI that EDI and Electronic Bonding would not be covered because she was not able to get the appropriate US West people to attend the meeting.

Tom Priday of MCI contacted Rob Van Fussen, US West's Senior Director of Local Systems, on May 20 and 22 to finalize a time for these additional discussions. US West was provided with three possible dates in early June for these discussions. Mr. Van Fussen has not responded to these proposed dates. Therefore, we are escalating this request to you.

Your assistance in finalizing an early date for this meeting and ensuring that the appropriate US West technical people are in attendance is appreciated.

Sincerely,

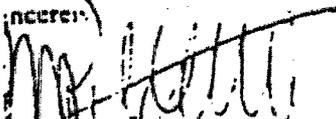

William M. Pricer

EXHIBIT B
(to Affidavit of Tom Priday)

BEFORE THE PUBLIC UTILITIES COMMISSION
FOR THE STATE OF COLORADO

97 JUN 16 PM 3:53

IN THE MATTER OF APPLICATION OF
MCImetro ACCESS TRANSMISSION, INC.
FOR A CERTIFICATE TO PROVIDE LOCAL
EXCHANGE SERVICE, NOTICE OF INTENTION
TO EXERCISE OPERATING AUTHORITY AND
CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY.

DOCKET NO. 96A-267T

AFFIDAVIT OF SUSAN TAYLOR

I, SUSAN TAYLOR, being of lawful age and having been duly sworn, do state:

1. As Manager of Local Customer Service for MCI Telecommunications Corporation ("MCI"), I am responsible for managing more than 100 Local Customer Service Professionals who deal directly with customers regarding their sales and service needs. The representatives I manage are in daily contact with Pacific Bell, Ameritech, and Nynex Local Interconnection Customer Service and Telephone Number Reservation Centers. This communication is necessary for MCI customers to be migrated to, or arrange new service with, MCImetro Access Transmission Services, Inc ("MCImetro"). In the course of the last ten months, I have also communicated on numerous occasions with management at Pacific Bell in the pursuit of rectifying escalated customer concerns with regard to turn-up intervals associated with migrations, new lines, features, and medical emergencies.

2. The initial response of customers in California to MCImetro's entry into the local market was strong. Delays in ordering and provisioning of service, however, have ranged anywhere from three weeks to three months. Many of the problems stem from the largely paper (non-automated) process provided by Pacific Bell. Provisioning of orders required manual sending of information by facsimile. In addition to the additional time required for using a

mesimic rather than an automated system, this process often resulted in orders being lost in transmission due to equipment failure or human error.

3. The problems were increased by understaffing at Pacific Bell's Local Interconnection Service Center and the Phone Number (ANI) Assignment Center. Because of this understaffing, MCImetro experienced excessive hold times when representatives attempted to obtain information on behalf of the customer. MCImetro would frequently reach a voice mail box, rather than a person who could answer questions, which caused further delay -- to the inconvenience and annoyance of customers.

4. As I stated, the customer response to MCImetro's entry in to the local market in California was strong. MCImetro notified Pacific Bell of the monthly order projections and, therefore, Pacific Bell should have been prepared to handle the large number of orders generated by MCImetro. Pacific Bell's failure to plan resulted in backlogs starting on the first day. The backlog resulted in MCImetro having to change its turn up commitment from 7-10 days, to 10-15 days, to 15-20 days, to 20-30 days, to 6-8 weeks over the course of eight months. Customers responded negatively to these delays.

5. Because of the backlog, it is impossible to determine how long it takes Pacific Bell to complete an order "on average." (One way to get a sense of the magnitude of Pacific Bell's delay in completing orders is to start with a universe of completions (rather than of orders) and measure the time span between each completion and the corresponding order submission. For all Mass Markets orders completed during the week of April 7-11, the average time from order submission to order completion was 29 days. Pacific Bell routinely misses the scheduled due dates provided on the Firm Order Commitments ("FOCs"). Of all Business Markets orders, Pacific Bell completed as of April 4th, only 11% were completed by the FOC-provided committed due date.

Pacific Bell's delay frustrates customer choice. When a customer selects service from MCImetro, or any other competitor, she is voting with her feet. It is therefore a slap in the face of that customer, and perhaps a substantial unnecessary expense too, for Pacific Bell to take weeks or even months before respecting her choice.

The frustration of customer choice -- and of the competitor's fair opportunity to compete -- is especially acute in cases in which a customer is requesting entirely new service. Imagine a customer who is moving to a new residence and is prepared to select local telephone service as much as a month in advance of the move. Because Pacific Bell is so delinquent in fulfilling resale orders, MCI will not be able to assure the customer that we can furnish service by the time the customer will require it. In contrast, Pacific Bell will promise the would-be customer that it can turn up new service on three days' notice. On occasion, MCImetro representatives were forced to encourage customers to obtain their new line with Pacific Bell and then migrate the new number to MCImetro to minimize any disruptions in service or delays in acquiring dial tone. This deprived the customer of choice and caused extra work and delay for the customer. In short, Pacific Bell's failure to execute resale orders in a time frame that is even remotely comparable puts competitors at a substantial competitive disadvantage and hinders free customer choice.

3. Some customers faced with delays in obtaining MCImetro resold local exchange service became frustrated and returned to Pacific Bell for service. MCImetro discovered this pattern indirectly. Typically, a request for new service is sent to Pacific Bell. No response is received until after the requested service date. A couple of days later, Pacific Bell sends a rejection notice which informs MCImetro that the end user has called Pacific Bell and ordered new service with the same telephone number. Obviously, consumers are entitled to seek out the telephone company that can provide them with prompt and efficient service. However, MCI is

precluded from fulfilling the customers' most basic need for dial tone by Pacific Bell's refusal to process its requests for resale service in a timely manner. Whether intentional or not, Pacific Bell's delay in processing MCImetro's orders for new telephone service constitutes a device by which customers are forced to subscribe to Pacific Bell local service.

9. The growing backlog also makes it impossible for MCImetro to expand its presence in the market to satisfy latent customer demand. Because we are committed to assisting Pacific Bell reduce the backlog so that they can process existing orders with less delay, we are constrained in marketing to new customers lest the backlog increase, thereby slowing down current processing even further. In short, MCImetro is effectively compelled to constrain its marketing efforts, at the expense of would-be customers, just because Pacific Bell is so slow in completing pending orders submitted by MCImetro and other competitors on behalf of other customers.

10. In addition to Pacific Bell's inability to adequately process orders for new and migration service, Pacific Bell dropped features, failed to install features ordered on supplemental orders, dropped customers from the Directory Assistance databases, and caused loss of dial tone. Each of these problems obviously negatively affected a customer's service. One can understand the frustration of a customer who waits for a feature change, which took hours or days at Pacific Bell, but takes weeks at MCImetro. The customer's concerns were even greater in situations in which dial tone was actually lost due to Pacific Bell's processing errors. When dial tone is lost, the customer's telephone "goes dead." The customer cannot make or receive calls. Loss of dial tone is a tremendously serious problem because the customer is then unable to call 911 in the event of an emergency.

11. These problems began to dominate the time of our customer service representatives, as customers continually called to inquire as to the status of their particular

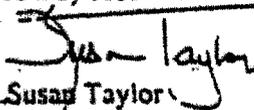
requests. The negative impact to productivity and efficiency increased as customer complaints became the rule rather than the exception. The number of repeat callers to MCImetro customer service increased dramatically due to the inability to resolve customer inquiries on the first call. MCImetro did not have the ability to resolve issues on the first call because Pacific Bell's non-automated process did not allow for on-line resolution of problems. First call resolution is a key indicator for MCImetro's quality measurement. Therefore, performance in this area was also adversely affected.

12. Due to the prolific number of daily escalations, supervisors spent their entire shifts talking with irate customers and attempting to obtain information from Pacific Bell. They were unable to perform their daily line responsibilities. Therefore, MCImetro created an Executive Resolution Group in an attempt to enable the supervisors to resume their front-line duties. This was an unplanned expense for MCImetro. Additional staffing is currently under review due to continued unresolved problems in interactions with Pacific Bell.

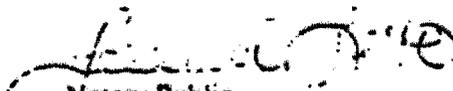
13. Customer representatives believe that their credibility with customers has been severely tarnished. Existing MCI long distance customers have come to expect premier service from MCI. MCImetro's inability to provide the same level of service in the local market has resulted in some long-term customers canceling their long distance service. As MCI enters new markets, its revenue stream is at risk due to the possibility of losing not only new local service customers, but also losing existing long distance customers that become irritated at what they perceive to be MCImetro's inability to provide service. Customers associate their negative experience with MCImetro and MCI, even though Pacific Bell's inadequate support system is at the heart of the problem. MCImetro customers do not attribute problems caused by Pacific Bell to Pacific Bell, because MCImetro is their local service provider.

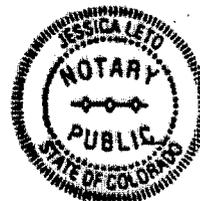
14. The situations that I have recounted in this Affidavit refer specifically to the experiences MCImetro has had with Pacific Bell, and not US West. Based on my knowledge of the systems and processes proposed by US West for local resale, however, it is my opinion that we are likely to experience the same types of customer service problems if MCImetro enters into local resale in Colorado using US West's Web-based Interconnect Mediated Access ("IMA") system.

15. MCImetro's success depends on its ability to provide high quality service to its customers. MCImetro cannot compete without the same type of powerful and efficient operations support systems that the Regional Bell Operating Companies use for their own businesses. Those systems ensure that customer service representatives have all of the information they need to respond fully, correctly, and promptly to customer inquiries. The systems also ensure that orders are processed properly, which reduces the number of customer complaints and the time needed to resolve them. They are less costly and more efficient than manual processes. Without efficient and nondiscriminatory operations support systems, customers will not be satisfied with the service they receive.


Susan Taylor

SUBSCRIBED AND SWORN to before me this 16th day of June, 1997.


Notary Public



MY COMMISSION EXPIRES
OCTOBER 2, 2000