

CASE

NUMBER:

99-326

IN THE MATTER OF QWEST COMMUNICATIONS CORPORATION ALLEGED
VIOLATION(S) OF KRS 278.535 SWITCHING OF TELECOMMUNICATIONS
PROVIDER

SEQ NBR	ENTRY DATE	REMARKS
0001	08/12/1999	Order directing company to resp. to allegations by 9/7;hearing sched.on 11/9.
M0001	09/07/1999	KATHERINE YUNKER QWEST COMMUNICATION-REQUEST FOR INFORMAL CONFERENCE & RESP
0002	10/27/1999	Order cancelling 11/9 hearing and scheduling an IC on 11/1 at 1:30 in HR 2.
0003	11/22/1999	IC Memo sent to parties; comments, if any, due 11/30/99.
M0002	12/01/1999	DAVID COHEN QWEST COMMUNICATIONS-COMMENTS ON INFORMAL CONFERENCE MEMO
0004	05/02/2000	Proposed Settlement Agreement sent to Katherine Yunker.
M0003	09/07/2000	QWEST COMMUNICATIONS-SLAMMING COMPLIANCE PLAN
0005	10/26/2000	Order entered; requests for hearing due 11/6/2000 or case stands submitted.
M0004	11/01/2000	DAVID COHEN-MOTION TO HOLD IN ABEYANCE
0006	11/17/2000	Order placing case in abeyance until 2/17/2001 for settlement negotiations.
0007	03/08/2001	Stipulation and Settlement Agreement mailed to parties of record.
0008	03/14/2001	FINAL ORDER; ACCEPTS & ADOPTS SETTLEMENT AGREEMENT
M0005	03/23/2001	QWEST COMMUNICATIONS-PENALTY FINE OF 2,000.00
0009	03/26/2001	Receipt of Payment

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)

ALLEGED VIOLATION(S) OF KRS 278.535)

) CASE NO. 99-326 ✓
) CASE NO. 2000-229

RECEIPT OF PAYMENT

This is to acknowledge receipt of one check in the amount of \$2,000.00 payable to Treasurer, Commonwealth of Kentucky from Qwest. This represents full payment of the penalty assessed against them in the above-styled action.

Stephanie D. Bell

Stephanie Bell
Secretary of the Commission

Dated 3/26/01

hv

4250 N. Fairfax Drive
Arlington, Virginia 22203

RECEIVED

MAR 23 2001

GENERAL COUNSEL

ride the light

Qwest.

VIA OVERNIGHT MAIL

March 22, 2001

Mr. J.E.B. Pinney
Staff Attorney
Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED

MAR 23 2001

PUBLIC SERVICE
COMMISSION

**RE: Qwest Communications Corporation
Case Nos. 99-326 and 2000-229**

Dear Mr. Pinney:

Enclosed please find Qwest Communications Corporation's (Qwest) voluntary contribution check in the amount of \$2,000.00 payable to the Kentucky State Treasurer in full settlement of both the above referenced cases.

On behalf of Qwest, I would like to personally thank you for working with us to resolve these matters. It was a pleasure dealing with you and the other staff members of the Commission.

If I can be of any further assistance in the future, please feel free to contact me at (703) 363-3189.

Respectfully submitted,

Carol P. Kuhn

Carol P. Kuhn
Regional Director
Policy & Law

Enclosure



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-326
QWEST COMMUNICATIONS CORPORATION

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on March 14, 2001.

Parties of Record:

Carol P. Kuhnow
Tariffs & Regulatory Affairs
Qwest Communications Corporation
4250 N. Fairfax Drive
Arlington, VA. 22203

Honorable David A. Cohen
Honorable Katherine K. Yunker
Counsel for Qwest Communications
Yunker & Associates
P.O. Box 21784
Lexington, KY. 40522 1784

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)

ALLEGED VIOLATION(S) OF KRS 278.535)

)
)
) CASE NO. 99-326
) CASE NO. 2000-229
)

O R D E R

This is a combined settlement agreement for two cases in which several consumers allege that Qwest Communications Corporation ("Qwest") switched their long-distance providers without authorization. The Commission entered Orders on August 12, 1999 and June 23, 2000 directing Qwest to show cause why it should not be found in violation of KRS 278.535 and KRS 278.990.

Qwest responded to the first Commission Order and participated in an informal conference on November 1, 1999. Qwest and Commission Staff then proceeded to engage in settlement negotiations. No settlement, however, was reached prior to the issuance of the second Commission Order.

Qwest responded to the second Commission Order and requested an informal conference. At the informal conference, Qwest presented evidence of changes in its corporate structure.

As a result of the informal conference and ongoing negotiations, a settlement agreement, attached hereto, was reached. Part of the Commission's willingness to

accept the settlement agreement is based upon Qwest's changes in its business structure to deter slamming from occurring, as well as Qwest's cooperation and candor during the formal process.

Based upon the foregoing, and the Commission being otherwise sufficiently advised, IT IS HEREBY ORDERED that:

1. The attached settlement agreement is accepted and adopted by the Commission.
2. Within 30 days of the date of this Order, Qwest shall tender the agreed-upon payment of \$2,000.00. The check shall be made payable to the Kentucky State Treasurer and shall be sent to the Office of General Counsel, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602.
3. Upon receipt of the agreed-upon payment, this case shall be dismissed and removed from the Commission's docket.

Done at Frankfort, Kentucky, this 14th day of March, 2001.

By the Commission

ATTEST:


Executive Director

APPENDIX TO AN ORDER OF THE
KENTUCKY PUBLIC SERVICE COMMISSION

IN CASE NOS. 99-326 AND 2000-229

DATED MARCH 14, 2001

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)
_____)

ALLEGED VIOLATION(S) OF KRS 278.535)
SWITCHING OF TELECOMMUNICATIONS)
PROVIDER)

**Case No. 99-326
Case No. 2000-229**

STIPULATION AND SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into on this 7 day of March, 2001, between QWEST COMMUNICATIONS CORPORATION ("Qwest") and the STAFF OF THE PUBLIC SERVICE COMMISSION ("Commission Staff"). This Settlement Agreement is intended to resolve pending Cases Nos. 99-326 and 2000-229.

WITNESSETH:

Case No. 99-326

WHEREAS, on or about February 7, 1999, the Commission Staff received by telephone a consumer complaint from the owners and operators of Lookout Marine Sales ("Complainants"), which is located at 6590 Highway 127 South, Somerset, Kentucky, alleging that the primary inter-exchange carrier ("PIC") for the long-distance telephone service at their business had been switched from AT&T Communications of the South Central States, Inc. ("AT&T") to Qwest without their authority; and

WHEREAS, the Commission Staff notified Qwest of the consumer complaint, but Qwest was unable to provide any written or tape recorded authorization from the Complainants that properly authorized the PIC change; and

WHEREAS, on August 12, 1999, the Public Service Commission ("Commission") issued a show cause Order in Case No. 99-326 against Qwest in which it found sufficient evidence to believe that Qwest failed to comply with the provisions of KRS 278.535; and

WHEREAS, Qwest responded to the Commission's show cause Order, participated in an informal conference with Commission Staff held November 1, 1999, and provided to the Commission a copy of its "Slamming Compliance Plan" submitted to the Federal Communications Commission ("FCC") for FCC File No. ENF-99-11; and

WHEREAS, the parties hereto desire to enter into this Settlement Agreement to resolve the issues raised by the Commission's show cause Order in Case No. 99-326, the parties therefore enter into the stipulations set out below.

Case No. 2000-229

WHEREAS, on or about August 4, 1999, the Commission Staff received by telephone a consumer complaint from Cuong Hoang ("Complainant"), who resides at 385 Southpoint Drive, Lexington, Kentucky, alleging that the PIC for the long-distance telephone service at his residence had been switched from Sprint Communications Company ("Sprint") to Qwest without his authority; and

WHEREAS, the Commission Staff notified Qwest of the consumer complaint, but Qwest was unable to provide any written or tape recorded authorization from the Complainant that properly authorized the PIC change; and

WHEREAS, on June 23, 2000, the Commission issued a show cause Order in Case No. 2000-229 against Qwest in which it found sufficient evidence to believe that Qwest failed to comply with the provisions of KRS 278.535; and

WHEREAS, Qwest responded to the Commission's show cause Order, participated in an informal conference with Commission Staff held September 7, 2000, and provided information to the Commission regarding implementation of its "Slamming Compliance Plan," including FCC approval of the Plan in August, 2000, and

WHEREAS, the Commission Staff's review of Counts I-IV, VI, VIII, and IX of the June 23, 2000 show cause Order prior to the informal conference determined that no violation of KRS 278.535 had occurred; and

WHEREAS, information provided to the Commission Staff by Qwest at the informal conference indicated that the PIC changes identified in Counts V and X of the June 23, 2000 show cause order did not violate KRS 278.535; and

WHEREAS, the parties hereto desire to enter into this Settlement Agreement to resolve the issues raised by the sole remaining count of the Commission's show cause Order in Case No. 2000-229, the parties therefore enter into the stipulations set out below.

Stipulations

NOW, THEREFORE, the parties mutually stipulate as follows:

1. Qwest is a "telecommunications provider" as defined by KRS 278.535, is authorized to do business in Kentucky, and is subject to the provisions and penalties of KRS 278.535 which are enforced by the Commission.
2. With respect to the PIC changes:
 - a. On or about August 14, 1998, the PIC long-distance service of Lookout Marine Sales was switched to Qwest, and subsequent to the customer's

complaint to the Commission, the PIC service was switched back to AT&T on February 9, 1999;

b. On or about May 1, 1999, the PIC long-distance service of Cuong Hoang was switched to Qwest, and subsequent to the customer's complaint to the Commission, the PIC service was switched back to Sprint on September 9, 1999.

3. In each instance, Qwest did not comply with KRS 278.535, which required it to maintain for one (1) year a letter of agency or electronically recorded tape authorizing the PIC switch by the customer.

4. Qwest acknowledges the fact that each PIC switch occurred. At the time of the PIC switches, Qwest used the services of third-party marketing and sales distributors of its telecommunications services to secure and provide the necessary customer authorization. In neither Case No. 99-326 nor Case No. 2000-229 could the marketing and sales distributor provide proof of authorization by the Complainants or Complainant. Qwest maintains that it has not willfully or repeatedly violated KRS 278.535 in either case.

5. These stipulations are proposed by the Commission Staff and Qwest for purposes of reaching settlement in Case No. 99-326 and Case No. 2000-229. In the event settlement is not reached, these proposed stipulations will be withdrawn.

6. Nothing contained herein shall be construed as an admission of a violation of KRS 278.535 by Qwest, nor shall the Commission's acceptance of this Settlement Agreement be construed as a finding of a violation of KRS 278.535 by Qwest, and the facts contained herein shall not be cited as precedent in any other proceeding, except to enforce this Settlement Agreement.

Agreement

NOW, THEREFORE, Qwest and the Commission agree that:

1. Not later than ten (10) days after entry of an Order approving this Settlement Agreement, Qwest agrees to make a voluntary contribution of Two Thousand Dollars (\$2,000.00) for investigative costs to the Kentucky State Treasurer in full settlement of both Case No. 99-326 and Case No. 2000-229.

2. Payment of the voluntary contribution shall be in the form of a cashier's check made payable to "Treasurer, Commonwealth of Kentucky," and shall be mailed or delivered to: Office of General Counsel, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602.

3. This Agreement is specifically subject to the acceptance of and approval by the Commission.

4. Nothing contained in this Settlement Agreement shall be construed as a violation of KRS 278.535 by Qwest, nor shall the Commission's acceptance of this Agreement be construed as a finding that Qwest violated the statute. Neither Qwest's agreement to the payment of a voluntary contribution nor any other agreement contained herein shall be construed as an admission of a violation, nor shall it be construed as an admission by Qwest of liability in any legal proceeding or lawsuit arising out of the facts set forth herein. This Settlement Agreement and the stipulations contained herein may not be cited in any other proceeding or matter, except that they may be used in a proceeding between the Commission and Qwest to enforce this Settlement Agreement. Case No. 99-326 and Case No. 2000-229 shall be terminated upon the entry of a Commission Order accepting the Settlement Agreement in

satisfaction of the show cause Orders dated August 12, 1999 and June 23, 2000, respectively.

5. If the Commission fails to accept and approve this Settlement Agreement in its entirety then these proceedings shall go forward and each of the terms of the Settlement Agreement, any matters raised during settlement negotiations, and the contents of the Agreement itself shall not be binding upon any of the signatories.

6. If the Commission accepts and adopts this Settlement Agreement in its entirety and enters an Order in these proceedings to that effect, Qwest shall not apply for a rehearing of this matter or bring any legal action for judicial review of such Order.

AGREED TO BY:

QWEST COMMUNICATIONS CORPORATION

By Carol T. Kilson Date 1/29/01
Title Director, Tariffs & Compliance

By David A. Uss Date 1/30/2001
Counsel for Qwest Communications Corporation

PUBLIC SERVICE COMMISSION OF KENTUCKY

By A. B. Perry Date 3/7/2001
Counsel for Public Service Commission



Paul E. Patton, Governor

**Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet**

**Thomas M. Dorman
Executive Director
Public Service Commission**

**COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION**
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602-0615
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(502) 564-3940
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**Martin J. Huelsmann
Chairman**

**Edward J. Holmes
Vice Chairman**

**Gary W. Gillis
Commissioner**

March 8, 2001

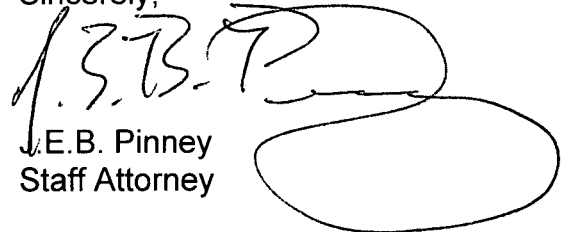
Mr. Thomas M. Dorman
Executive Director
Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602

Re: Qwest Communications Corporation
Case Nos. 99-326 and 2000-229

Dear Mr. Dorman:

Enclosed for filing is a Stipulation and Settlement Agreement between Commission Staff and Qwest Communications Corporation, which resolves all outstanding issues in Case Nos. 99-326 and 2000-229. The signatories to this Agreement request that the Commission review and approve it.

Sincerely,


J.E.B. Pinney
Staff Attorney

Enclosure

cc: Parties of Record

cc: File



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)
_____))
ALLEGED VIOLATION(S) OF KRS 278.535)
SWITCHING OF TELECOMMUNICATIONS)
PROVIDER)

Case No. 99-326 ✓
Case No. 2000-229

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WHEREAS, the Commission Staff notified Qwest of the consumer complaint, but Qwest was unable to provide any written or tape recorded authorization from the Complainants that properly authorized the PIC change; and

WHEREAS, on August 12, 1999, the Public Service Commission ("Commission") issued a show cause Order in Case No. 99-326 against Qwest in which it found sufficient evidence to believe that Qwest failed to comply with the provisions of KRS 278.535; and

WHEREAS, Qwest responded to the Commission's show cause Order, participated in an informal conference with Commission Staff held November 1, 1999, and provided to the Commission a copy of its "Slamming Compliance Plan" submitted to the Federal Communications Commission ("FCC") for FCC File No. ENF-99-11; and

WHEREAS, the parties hereto desire to enter into this Settlement Agreement to resolve the issues raised by the Commission's show cause Order in Case No. 99-326, the parties therefore enter into the stipulations set out below.

Case No. 2000-229

WHEREAS, on or about August 4, 1999, the Commission Staff received by telephone a consumer complaint from Cuong Hoang ("Complainant"), who resides at 385 Southpoint Drive, Lexington, Kentucky, alleging that the PIC for the long-distance telephone service at his residence had been switched from Sprint Communications Company ("Sprint") to Qwest without his authority; and

WHEREAS, the Commission Staff notified Qwest of the consumer complaint, but Qwest was unable to provide any written or tape recorded authorization from the Complainant that properly authorized the PIC change; and

WHEREAS, on June 23, 2000, the Commission issued a show cause Order in Case No. 2000-229 against Qwest in which it found sufficient evidence to believe that Qwest failed to comply with the provisions of KRS 278.535; and

WHEREAS, Qwest responded to the Commission's show cause Order, participated in an informal conference with Commission Staff held September 7, 2000, and provided information to the Commission regarding implementation of its "Slamming Compliance Plan," including FCC approval of the Plan in August, 2000, and

WHEREAS, the Commission Staff's review of Counts I-IV, VI, VIII, and IX of the June 23, 2000 show cause Order prior to the informal conference determined that no violation of KRS 278.535 had occurred; and

WHEREAS, information provided to the Commission Staff by Qwest at the informal conference indicated that the PIC changes identified in Counts V and X of the June 23, 2000 show cause order did not violate KRS 278.535; and

WHEREAS, the parties hereto desire to enter into this Settlement Agreement to resolve the issues raised by the sole remaining count of the Commission's show cause Order in Case No. 2000-229, the parties therefore enter into the stipulations set out below.

Stipulations

NOW, THEREFORE, the parties mutually stipulate as follows:

1. Qwest is a "telecommunications provider" as defined by KRS 278.535, is authorized to do business in Kentucky, and is subject to the provisions and penalties of KRS 278.535 which are enforced by the Commission.
2. With respect to the PIC changes:
 - a. On or about August 14, 1998, the PIC long-distance service of Lookout Marine Sales was switched to Qwest, and subsequent to the customer's

complaint to the Commission, the PIC service was switched back to AT&T on February 9, 1999;

b. On or about May 1, 1999, the PIC long-distance service of Cuong Hoang was switched to Qwest, and subsequent to the customer's complaint to the Commission, the PIC service was switched back to Sprint on September 9, 1999.

3. In each instance, Qwest did not comply with KRS 278.535, which required it to maintain for one (1) year a letter of agency or electronically recorded tape authorizing the PIC switch by the customer.

4. Qwest acknowledges the fact that each PIC switch occurred. At the time of the PIC switches, Qwest used the services of third-party marketing and sales distributors of its telecommunications services to secure and provide the necessary customer authorization. In neither Case No. 99-326 nor Case No. 2000-229 could the marketing and sales distributor provide proof of authorization by the Complainants or Complainant. Qwest maintains that it has not willfully or repeatedly violated KRS 278.535 in either case.

5. These stipulations are proposed by the Commission Staff and Qwest for purposes of reaching settlement in Case No. 99-326 and Case No. 2000-229. In the event settlement is not reached, these proposed stipulations will be withdrawn.

6. Nothing contained herein shall be construed as an admission of a violation of KRS 278.535 by Qwest, nor shall the Commission's acceptance of this Settlement Agreement be construed as a finding of a violation of KRS 278.535 by Qwest, and the facts contained herein shall not be cited as precedent in any other proceeding, except to enforce this Settlement Agreement.

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3. This Agreement is specifically subject to the acceptance of and approval by the Commission.

4. Nothing contained in this Settlement Agreement shall be construed as a violation of KRS 278.535 by Qwest, nor shall the Commission's acceptance of this Agreement be construed as a finding that Qwest violated the statute. Neither Qwest's agreement to the payment of a voluntary contribution nor any other agreement contained herein shall be construed as an admission of a violation, nor shall it be construed as an admission by Qwest of liability in any legal proceeding or lawsuit arising out of the facts set forth herein. This Settlement Agreement and the stipulations contained herein may not be cited in any other proceeding or matter, except that they may be used in a proceeding between the Commission and Qwest to enforce this Settlement Agreement. Case No. 99-326 and Case No. 2000-229 shall be terminated upon the entry of a Commission Order accepting the Settlement Agreement in

satisfaction of the show cause Orders dated August 12, 1999 and June 23, 2000, respectively.

5. If the Commission fails to accept and approve this Settlement Agreement in its entirety then these proceedings shall go forward and each of the terms of the Settlement Agreement, any matters raised during settlement negotiations, and the contents of the Agreement itself shall not be binding upon any of the signatories.

6. If the Commission accepts and adopts this Settlement Agreement in its entirety and enters an Order in these proceedings to that effect, Qwest shall not apply for a rehearing of this matter or bring any legal action for judicial review of such Order.

AGREED TO BY:

QWEST COMMUNICATIONS CORPORATION

By Carol T. Kilson Date 1/29/01

Title Director, Tariffs & Compliance

By David A. Uss Date 1/30/2001

Counsel for Qwest Communications Corporation

PUBLIC SERVICE COMMISSION OF KENTUCKY

By A. B. Perry Date 3/7/2001

Counsel for Public Service Commission



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

November 17, 2000

Carol P. Kuhnnow
Tariffs & Regulatory Affairs
Qwest Communications Corporation
4250 N. Fairfax Drive
Arlington, VA. 22203

Honorable David A. Cohen
Honorable Katherine K. Yunker
Counsel for Qwest Communications
Yunker & Associates
P.O. Box 21784
Lexington, KY. 40522 1784

RE: Case No. 1999-326

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/lh
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)
)
ALLEGED VIOLATION(S) OF KRS 278.535) CASE NO. 99-326
SWITCHING OF TELECOMMUNICATIONS)
PROVIDER)

O R D E R

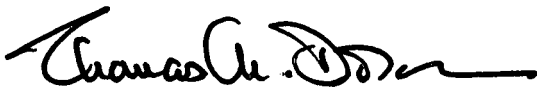
This matter is before the Commission upon motion of Qwest Communications Corporation ("Qwest") to place this case in abeyance while Commission Staff and Qwest conduct ongoing settlement negotiations to resolve this case and a similar case.¹ Both cases involve alleged violations of the slamming statute, KRS 278.535.

The Commission, finding good cause and being otherwise sufficiently advised, HEREBY ORDERS that this case shall be placed in abeyance for a period of 90 days from the issuance of this Order so that Qwest and Commission Staff can continue settlement negotiations regarding this case, Case No. 2000-229, and any other matters pending before the Commission regarding Qwest and alleged violations of KRS 278.535.

Done at Frankfort, Kentucky, this 17th day of November, 2000.

By the Commission

ATTEST:



Executive Director

¹ Case No. 2000-229, Qwest Communications Corporation: Alleged Violation(s) of KRS 278.535 Switching of Telecommunications Provider.

YUNKER & ASSOCIATES

David A. Cohen
P.O. Box 21784
Lexington, KY 40522-1784

859-266-0415
FAX: 859-266-3012
cohen@desuetude.com

October 30, 2000

Mr. Thomas M. Dorman, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: *In the Matter of Qwest communications Corp.*,
Case No. 99-326

RECEIVED
NOV 01 2000
PUBLIC SERVICE
COMMISSION

Dear Mr. Dorman:

Enclosed please find a Motion to Hold in Abeyance to be filed on behalf of Qwest Communications Corporation in the above referenced matter. I have enclosed ten (10) additional copies for use by staff or Commission members. Please file stamp the eleventh copy and return it me in the self-addressed, stamped envelope.

Thank you for your attention to this matter. Please contact me with any questions.

Sincerely,



David A. Cohen

enclosures

cc: Carol Kuhnow, Qwest Communications Corporation

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

NOV 01 2000

PUBLIC SERVICE
COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)
_____)

ALLEGED VIOLATION(S) OF KRS 278.535)
SWITCHING OF TELECOMMUNICATIONS)
PROVIDER)

Case No. 99-326

**QWEST COMMUNICATIONS CORPORATION'S
MOTION TO HOLD IN ABEYANCE**

COMES Qwest Communications Corporation ("Qwest"), by and through its undersigned counsel, and requests that the Public Service Commission ("Commission") hold this matter in abeyance. In support of its Motion, Qwest states as follows:

1. The Commission issued a show cause Order on August 12, 1999, alleging an unauthorized PIC change or "slam" to the account of Lookout Marine Sales by Qwest.
2. Qwest filed a written response to the Commission's Order, and participated in an informal conference with Commission staff on November 1, 1999. An informal conference memo was filed of-record on November 22, 1999, and Qwest filed its written comments to that memo on December 1, 1999.
3. On May 2, 2000, Commission staff forwarded to Qwest a proposed settlement agreement and order for this matter. Qwest responded in writing to that proposed settlement on May 31, 2000, requesting changes to the text of the agreement and order.
4. Since June, 2000, Qwest and Commission staff have continued efforts to negotiate a settlement in this case. In particular, Commission staff have suggested consolidation of this case with Case No. 2000-229, with a global settlement agreement and order to dispose of

both cases. Qwest intends to pursue these negotiations, to effect a prompt settlement acceptable to all parties.

5. On October 26, 2000, the Commission entered an Order requiring that within 10 days of the Order's date, Qwest file any additional written comments of-record which are believed to be pertinent to the matters at issue in this case, and if it so elected, request a formal hearing on this case. The Order also states that if no additional comments are filed and no hearing is requested within 10 days of the order, the matter would stand submitted for decision on the existing record.

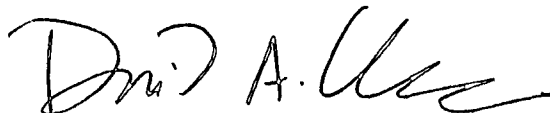
6. Because settlement negotiations with Commission staff are on-going, placing the matter in abeyance pending the completion of those negotiations will allow Qwest and Commission staff to propose a resolution of this matter without the need for a formal hearing or filing additional comments of record.

WHEREFORE, Qwest respectfully requests that Case No. 99-326 be held in abeyance pending the completion of settlement negotiations with Commission staff.

Respectfully submitted,

Katherine K. Yunker, Esq.
David A. Cohen, Esq.
YUNKER & ASSOCIATES
P.O. Box 21784
Lexington, KY 40522-1784
(859) 266-0415
fax (859) 266-3012

By: _____



ATTORNEYS FOR QWEST COMMUNICATIONS
CORPORATION



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 26, 2000

Carol P. Kuhnow
Tariffs & Regulatory Affairs
Qwest Communications Corporation
4250 N. Fairfax Drive
Arlington, VA. 22203

Honorable David A. Cohen
Honorable Katherine K. Yunker
Counsel for Qwest Communications
Yunker & Associates
P.O. Box 21784
Lexington, KY. 40522 1784

RE: Case No. 1999-326

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)	
)	
_____)	CASE NO.
)	99-326
ALLEGED VIOLATION(S) OF KRS 278.535)	
SWITCHING OF TELECOMMUNICATIONS)	
PROVIDER)	

O R D E R

On August 12, 1999, the Commission issued an Order requiring Qwest Communications Corporation ("Qwest") to show cause, if any, why it should not be subject to the penalties prescribed in KRS 278.535(6) for an allegedly unauthorized presubscribed exchange carrier ("PIC") change of Lookout Marine Sales, a Kentucky consumer. Commission Staff and Qwest representatives subsequently met at an informal conference to discuss the allegations and, on November 22, 1999, an informal conference memorandum was filed of record by the Commission's Staff Attorney. That memorandum states that the allegations of the August 12, 1999 Order are not disputed by Qwest and that Qwest acknowledges that its marketing agent, Campus Promotion Network ("CPN"), failed to provide either a letter of authorization or an electronic recording demonstrating that the customer authorized the PIC change.

Subsequently, Qwest filed into the record its comments on the informal conference memorandum, stating, inter alia, that it has taken numerous actions to prevent future unauthorized PIC changes. It also described ways in which a Qwest customer might be placed on casual billing status. On September 7, 2000, Qwest

submitted its Slamming Compliance Plan as submitted to the Federal Communications Commission on November 18, 1999.

Qwest and Commission Staff were, for a time, engaged in settlement negotiations concerning this matter. Staff's proffered settlement agreement was sent to Qwest in May 2000 and is included in the formal record in this case. Qwest did not, however, execute the document.

We are left with Qwest's defenses to the August 12, 1999 Order outlined in its initial response, filed in September 1999, which consist largely of reiterations that it was not Qwest itself, but its marketing agent, CPN, which caused Lookout Marine Sales' primary exchange carrier to be switched. Qwest claims it reasonably relied on CPN and thus has not willfully violated KRS 278.535.

This Commission has never accepted the argument that a utility cannot be held to have committed a "willful" act simply because an independent contractor, acting on the utility's behalf, committed the act in question. Many carriers employ independent telemarketers. If the Commission accepted the argument that a utility is not answerable for the actions of its telemarketers, its ability to enforce the law would be severely compromised, if not effectively ended.

Based on the foregoing, IT IS HEREBY ORDERED that:

1. Within 10 days of the date of this Order, Qwest shall file any additional written comments it believes pertinent to the allegations and circumstances that are the subject of this case.
2. If Qwest wishes to request a hearing, it may file such request within 10 days of the date of this Order.

3. If no request for hearing is filed within 10 days of the date of this Order, this matter shall be submitted for decision on the existing record.

Done at Frankfort, Kentucky, this 26th day of October, 2000.

By the Commission

ATTEST:


Executive Director

Deputy

File in
99-326

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PUBLIC SERVICE
COMMISSION

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SEP 7 2000
PUBLIC SERVICE
COMMISSION

**SLAMMING COMPLIANCE PLAN OF
QWEST COMMUNICATIONS INTERNATIONAL INC.**

**SUBMITTED TO THE
FEDERAL COMMUNICATIONS COMMISSION
FCC FILE NO. ENF-99-11**

NOVEMBER 18, 1999

COPY

**SLAMMING COMPLIANCE PLAN OF
QWEST COMMUNICATIONS INTERNATIONAL INC.**

Qwest Communications International Inc. ("Qwest") hereby submits the following Compliance Plan providing a comprehensive description of Qwest's policies and procedures to eradicate slamming. This Compliance Plan details Qwest's current "zero tolerance" policies with respect to slamming as well as the additional actions it will take to bolster those policies to ensure full compliance with Section 258 of the Communications Act and the Commission's rules and orders relating to PIC changes.¹

Qwest is fully committed to implementing additional, commercially feasible processes if they can assist in eradicating unauthorized PIC changes. In this Compliance Plan, Qwest proposes substantial new protections against slamming, protections which significantly exceed those required in strict compliance with the FCC's rules and which in most instances go far over and above procedures that its competitors are using. These new procedures will strengthen the safeguards in place within its order processing system to prevent slamming, intensify distributor training and enforcement, and allow Qwest to correct weaknesses that may be discovered in its anti-slamming protections.

In the first section of this Compliance Plan, Qwest briefly outlines its current anti-slamming procedures, put in motion to implement Qwest's "zero tolerance" policy with respect to slamming violations. In the second section, Qwest discusses further improvements it is

¹ Qwest intends that the additional actions proposed herein be effective for a period of two years beginning the release date of any order issued in this proceeding.

implementing to strengthen the effectiveness of its zero tolerance policy and ultimately to eradicate slamming.²

I. QWEST'S CURRENT POLICIES AND PROCEDURES WITH RESPECT TO SLAMMING.

As described in Qwest's Response to the Notice of Apparent Liability, Qwest has a zero tolerance policy for slamming violations. Qwest employs a three-pronged approach to controlling slamming – relying on strict rules of acceptable behavior, order processing procedures designed to weed out suspect orders, and decisive enforcement against violators. The most significant aspects of each element are discussed below.

A. Rules of Fair Dealing and Honesty

Anti-Slamming Advisory. Each Qwest distributor and each person in any way involved in the marketing of Qwest's services must review Qwest's anti-slamming policies set out in an Advisory and affirm that he or she understands the Advisory and will adhere to its contents. This Advisory explains the common causes of slamming, identifying problem areas such as incorrect telephone numbers, illegible information on an LOA, authorization from the wrong person, and "signing someone up just to 'get the sale.'" In addition, the Advisory warns that slamming is a very serious problem which will be dealt with severely.

The Advisory instructs sales representatives on the ways in which they can protect against inadvertently unauthorized switches, and offers the following recommendations:

² This Compliance Plan discusses a number of policies and procedures used to detect attempts by unscrupulous sales agents to pass bad orders through Qwest. The effectiveness of these policies and procedures may be compromised by widespread disclosure of their precise operation, as it may allow a distributor to defeat Qwest's protection mechanisms. Accordingly, Qwest has segregated those elements which require confidentiality in a Proprietary Attachment to this Compliance Plan, and is seeking confidential treatment of the attachment.

- You are strongly encouraged to verify information against each new customer's actual telephone bill for each LOA.
- The person signing the LOA should be a person with authority to act on behalf of the company or the person whose name appears on the telephone bill. It is essential that the person signing the LOA has authority to change long distance carriers.
- NEVER sign someone else's name on an LOA or any other document!
- Don't force a sale that is not there.

In addition, the Advisory gives the following warning: "*Note that children, roommates, receptionists, secretaries and assistants typically do not have the authority to change long distance carriers for an individual or a company.*"

Every sales representative must sign an Acknowledgement confirming that he or she has read the Advisory, understands its contents, and will adhere to the policies described therein. Violations of these policies are grounds for termination of the sales representative.

B. Order Processing Procedures

Qwest has improved its order processing procedures over the past year. These improvements provide a better assurance that each order is supported by a complete and valid LOA, and improve the opportunity for consumers to detect improper orders early in the process.

Submission and Scanning of LOAs. Beginning in late September 1999, Qwest improved its procedures for receiving and reviewing the LOAs upon which orders are based. Whereas previously sales representatives (although required to obtain an LOA in all instances) did not submit the LOA unless requested, Qwest now requires for every order that the sales representative transmit to Qwest the LOA upon which the sale is based. A Qwest employee reviews each LOA to ensure it is complete and facially valid. Qwest rejects any LOA with an apparently invalid or forged signature. If an LOA passes this facial review, it is scanned into Qwest's computer system by an independent third party. By scanning the LOA, Qwest obtains a visual image of the entire LOA, which enables, upon request, a comparison of the LOA with

other information provided by the customer or regulatory agency. In addition, the scanned image can be searched on several identified data fields. Qwest is exploring ways in which this data may be used in the future – such as through comparison to independent data – in order to identify forged signatures or falsified information contained on an LOA.

This process enables Qwest to weed out the most egregious instances of slamming. By reviewing each LOA submitted, Qwest can identify patterns that suggest an improper order, such as repetitive information on multiple orders or blatant discrepancies in handwriting on an LOA. Moreover, the process ensures that Qwest has on file an LOA for each order before it is submitted to the LEC to initiate the PIC change. In addition, the process gives Qwest the ability to rapidly retrieve and provide information about the authorization upon request from a customer or regulatory agency, and possibly will enable more sophisticated analyses of LOAs in the future.

Welcome Postcard. Shortly after an order is entered into Qwest's system, Qwest mails a welcoming postcard to the customer informing her that it has received and is processing the order. The postcard informs the customer that Qwest has received an order to change the customer's preferred long distance carrier on the telephone line(s) listed. The postcard states that the customer's local telephone company shortly will be implementing the change and informs the customer to call the listed toll-free number if she has any questions about the order.

This postcard provides every customer to be switched to Qwest with notice that a switch is occurring. Qwest uses the postcard as a way to give the customer an opportunity to detect an improper order, ideally before the switch occurs, but in any event, before the customer receives his or her first bill from Qwest or their local exchange company. By notifying a

customer promptly after receipt of her order, Qwest hopes to identify any problems at the point in time when they can be corrected most easily and with the least impact on customers.

CARE Flags. When Qwest receives from the local exchange companies a code representing a disputed switch based on an allegation of slamming, it places a flag on the telephone number(s) identified. These flags are used to prevent reinstallation of Qwest service to the same customer after an allegation of an unauthorized switch. Qwest is in the process of implementing a system of additional flags that accomplishes the same function for instances of potentially unauthorized switches identified by other means. Qwest expects to implement this new edit immediately after expiration of its "Year 2000" moratorium on computer system changes.

C. Enforcement Procedures

Charge-Backs and Disgorgement of Profits from Slamming. Qwest's distributor agreements provide the company with an arsenal of weapons it may use when slamming is detected. One particularly important weapon is Qwest's ability to eliminate the economic incentive for slamming by charging back all commissions and fees associated with a slammed order. When Qwest receives notice of a PIC dispute from the LEC, it immediately requires the distributor involved to investigate and report back promptly.³ If the distributor fails to produce evidence that the order was supported by a valid LOA or if the distributor does not respond within the time period, Qwest will treat the order as an unauthorized switch. Consequently, Qwest automatically will charge back all commissions and fees paid to the distributor.

Qwest will continue to scrutinize these unauthorized orders, however. In addition to charging back commissions, Qwest also is entitled to charge the distributor for administrative

³ See the Proprietary Attachment appended hereto.

and LEC fees imposed, and to assess other penalties if an order is not supported by a valid LOA. If a distributor has failed to provide evidence of valid authorization as described above, Qwest will require the distributor to investigate the order further and to report back to Qwest within a reasonable time identifying the cause of the invalid order and any remedial action taken. If the distributor does not take adequate remedial action or fails to provide this report, Qwest will assess administrative and LEC fees, and additional penalties as permitted by its contracts.

Reporting and Tracking. Qwest now compiles, on a regular basis, a series of reports that track distributor performance in the submission of orders to Qwest. These reports track, by distributor, (1) the percentage of distributor orders rejected for facial defects (tracked daily), (2) the number of orders and amount of commissions charged back to distributors (tracked weekly), and (3) the percentage of PIC disputes and associated billing adjustments to distributors (tracked weekly). A detailed description of each report is provided in the Proprietary Attachment appended hereto. Currently, these reports are used to identify problems with specific distributors, and will be used by Qwest as the basis for action ranging from warning letters to termination of problem distributors.

II. ADDITIONAL ANTI-SLAMMING PROCEDURES TO BE IMPLEMENTED BY QWEST.

Qwest is dedicated to the continuing improvement of its anti-slamming efforts.

Effective for the next two years, Qwest proposes to take the following additional actions:

Targeted Third Party Verification of Sales or Sales Channels. In any area where Qwest determines that orders are more susceptible to potential abuse, Qwest will require independent third party verification ("TPV") for these orders. Qwest will review its sales channels and overall performance from time to time to determine types of orders or particular

sales channels where TPV is appropriate.⁴ Qwest has decided to require TPV on some orders immediately, as set forth in the Proprietary Attachment to this Compliance Plan.

Where Qwest requires verification of orders, all verifications will be provided by an unaffiliated company, and will be conducted in compliance with the Commission's standards for third party verification of telemarketing orders. All TPV sessions will be recorded and maintained for a period of at least two years.

Strengthened Distributor Enforcement Procedures. Qwest will revise its enforcement procedures in order to include clear and objective "triggers" to identify slamming or other marketing problems quickly and to provide effective remedial action. The revised enforcement procedures will be based on internal reporting and tracking mechanisms put in place to monitor distributor performance. If a distributor's improper orders exceed a pre-set threshold of performance, Qwest immediately will begin remedial procedures. In addition, Qwest will use different thresholds to target slamming activity directly. In order to prevent distributors from "gaming" Qwest's detection mechanisms, the precise tracking mechanisms employed and thresholds to be used are described in the Proprietary Attachment to this Compliance Plan.

Inadequate performance initially will trigger mandatory training and additional monitoring to increase the submission of valid orders. Qwest will require the distributor to receive follow-up training sessions (at its own expense) focusing on proper sales techniques and methods to reduce rejected orders.⁵ As necessary to remedy specific problems, Qwest will require the distributor to implement specific changes designed to reduce its incidence of bad

⁴ Qwest will not inform its distributors in advance of the orders that will be required to undergo TPV, and Qwest will retain the discretion to revise its procedures at any time.

⁵ Qwest will conduct this training at the distributor's main offices, and the distributor will be required to have its own sales representatives present for the follow-up training.

orders. In addition, Qwest will require all of the distributor's sales representatives to reaffirm and re-sign Qwest's Anti-Slamming Advisory and will require a Distributor Self-Audit (discussed *infra*) on a monthly or weekly basis, as necessary under the circumstances.

If performance does not improve quickly after this additional training and monitoring, Qwest will respond with more severe remedial measures and, if performance still has not improved, with termination of the distributor relationship. If additional training and monitoring do not produce a higher level of acceptable orders on those orders submitted within a reasonable time after the training,⁶ Qwest (1) will require all of the distributor's orders to be independently third-party verified prior to submission to Qwest, (2) will require re-affirmation of the Anti-Slamming Advisory, (3) will require more frequent Distributor Self-Audits, and (4) may impose additional penalties in its discretion. If subsequent orders still do not show prompt improvement, then, as the third and final level of enforcement, the distributor will be terminated. The specific time periods for improving distributor performance are set out in the Proprietary Attachment to this Compliance Plan.

Strengthened Sales Representative Enforcement Procedures. Effective immediately, Qwest will require every sales representative involved in any way in the marketing of Qwest services to periodically review and sign Qwest's Anti-Slamming Advisory. Qwest will require sales representatives to sign the Advisory at least once every six months, and to affirmatively commit each time to follow its policies.

Furthermore, Qwest will apply its zero tolerance policy to every instance of a forged LOA. If any individual is discovered to have forged a customer's signature, Qwest will require that the offending individual be terminated immediately. This policy will apply in the

⁶ See the Proprietary Attachment appended hereto.

first instance of a forged LOA; sales representatives will not be given an opportunity to mend their ways.⁷ Qwest will apply this policy to other egregious violations of FCC rules as they may arise.

In addition, if in Qwest's sole discretion, Qwest determines that an individual sales representative is involved in a significant number of improper orders, Qwest will issue warnings to the distributor and require the distributor to report back detailing the remedial actions it took to correct the problem. If problems persist, Qwest will require that the sales representative be reassigned or terminated. Qwest's current policies for initiating action against sales representatives is described more fully in the Proprietary Attachment to this Compliance Plan.

Intensified Pre-Screening of Distributors. Qwest will strengthen the pre-screening measures it employs to ensure that potential distributors are honest and reputable. In addition to its existing pre-screening, Qwest will require every new distributor to disclose all instances where it has been accused of slamming or other deceptive business practices. Qwest will require that all instances be fully disclosed, including allegations made against affiliates, predecessor companies, the distributors' officers, directors or principals, and any companies with which the officers, directors or principals previously or currently are associated. Qwest will immediately terminate a distributor contract upon discovery of any inaccurate or incomplete disclosures made by a distributor.

In addition, Qwest will place new distributors on probationary status for the first 90 days. During this time, Qwest will conduct performance reviews to ensure the distributor meets Qwest's standard of performance. If during this probationary period, the distributor's

⁷ The distributor will be required to certify, within 5 business days of receiving notice from (continued...)

performance falls below a pre-set threshold of quality, then Qwest will terminate its relationship with the distributor. The standards Qwest will apply in assessing performance during the probationary period are described in the Proprietary Attachment to this Compliance Plan.

Periodic "Refresher" Training of Sales Representatives. In addition to initial training sessions, Qwest will mandate routine refresher training courses for its distributors. These refresher courses will provide periodic reinforcement of Qwest's anti-slamming policies, including improvements to its procedures implemented since the initial training. In addition, these sessions will cover general sales techniques and will provide a vehicle for discussing new areas of concern that may develop. Each distributor must participate in refresher training courses at least annually.

Order Processing. Qwest will also keep a "stay away" list of customers who have either (1) complained about being slammed in the past; or (2) expressed their intent never to purchase Qwest's services. Consumers will remain on this list for a minimum of one year. When an order is submitted to Qwest, it will be matched against this "stay away" list so as to ensure that consumers on the list are not switched by Qwest. If, however, an order is rejected because it is on the "stay away" list, Qwest will give the consumer an opportunity to decide that he nevertheless would like Qwest service. Qwest will remove the customer from the stay away list and permit a switch only if the customer requests in writing that Qwest do so and sends a copy of the first page of his LEC bill in order to verify authorization.

Independent Audits. Qwest also will annually engage an independent auditor to conduct an examination of its reporting and data tracking mechanisms and the enforcement procedures based upon those reports. This examination shall be supervised by persons licensed

(...continued)

Qwest, that the sales representative was terminated.

to provide public accounting services and shall be conducted in accordance with the relevant standards of the AICPA. Qwest will provide the auditor with full access to all records necessary to conduct the required examination. The independent auditor shall provide an opinion (with exceptions, if any, noted) in a written report submitted to the Board of Directors of Qwest. Qwest's new Senior Vice President of Consumer Markets, who will lead Qwest's expanded anti-slamming initiative, will oversee the implementation of any procedural changes recommended as a result of the auditor's report.

Distributor Self-Audits. Qwest will require each of its distributors to report, on at least a quarterly basis, the results of an internal audit of its anti-slamming procedures. Qwest will require distributors to certify that they are adhering to the Anti-Slamming Advisory, and to report any complaints or inquiries concerning alleged incidents of slamming by the distributor.⁸

*

*

*

Qwest believes that proposed changes, in conjunction with its existing procedures, will further reduce instances of unauthorized switching. Many of the steps outlined above are unprecedented in the industry and will far exceed what is required for strict compliance with the FCC's rules. Qwest is committed to reducing slamming through any commercially feasible mechanism.

⁸

In the event a distributor promotes the services of other companies in addition to Qwest, Qwest will require the distributor to report all allegations of slamming, regardless of on whose behalf the distributor was acting.



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and Regulation
Cabinet

Martin J. Huelsmann
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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B. J. Helton
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

May 2, 2000

Ms. Katherine K. Yunker
Post Office Box 21784
Lexington, Kentucky 40522-1784

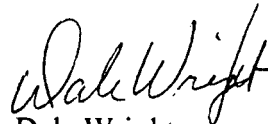
Re: Qwest Communications Corporation
Case No. 99-326
Proposed Settlement Agreement

Dear Ms. Yunker:

Please find enclosed a proposed Settlement Agreement in the above-named case, and a copy of an example of the final order that would be issued in the case if the Settlement Agreement is executed and accepted.

If you have any questions or problems with the language of the Agreement, please call me. Thank you for your patience.

Sincerely,


Dale Wright
Staff Attorney

DW:v

Enclosure



FILED

MAY 02 2000

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)	
_____)	
ALLEGED VIOLATION(S) OF KRS 278.535)	CASE NO. 99-326
SWITCHING OF TELECOMMUNICATIONS)	
PROVIDER)	

SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into on this _____ day of May, 2000, between QWEST COMMUNICATIONS CORPORATION ("Qwest") and the STAFF OF THE PUBLIC SERVICE COMMISSION ("Commission Staff").

WITNESSETH:

WHEREAS, on or about February 7, 1999, Commission Staff received by telephone a consumer complaint from the owners and operators of Lookout Marine Sales ("Complainants"), which is located at 6590 South Highway 127, Somerset, Kentucky, alleging that the primary interexchange carrier ("PIC") for the long-distance telephone service for their business had been switched from AT&T Communications of the South Central States, Inc. ("AT&T") to Qwest without their authority, in violation of KRS 278.535, and Qwest could not produce a letter of agency or taped recording required by KRS 278.535 by which the Complainants authorized the PIC switch; and

WHEREAS, on August 12, 1999, the Public Service Commission ("Commission") issued a show cause Order in Case No. 99-326 against Qwest in which it found sufficient evidence to believe that Qwest failed to comply with the provisions of

KRS 278.535 which provides: "A customer of a telecommunications provider shall not be switched to another provider without the customer's letter of agency or the electronically recorded authorization of the customer..."; and

WHEREAS, the parties hereto desire to enter into this Settlement Agreement to resolve the issues raised by the Commission's show cause Order and have in furtherance thereof entered into the stipulations included herein and set out below;

NOW, THEREFORE, the parties mutually stipulate as follows:

1. Qwest is a telecommunications provider as defined by KRS 278.535, is authorized to do business in Kentucky, and is subject to the provisions and penalties of KRS 278.535 enforced by the Commission.

2. On or about August 14, 1998, the PIC long-distance service of the Lookout Marine Sales business was switched to Qwest and, subsequent to the customer's complaint to the Commission, the PIC service was switched back to AT&T on February 8, 1999.

3. Qwest did not comply with KRS 278.535, which required it to produce a letter of agency or electronically recorded tape authorizing the PIC switch by the customer.

4. Qwest acknowledged the fact that the PIC switch occurred. At the time of the PIC switch, Qwest used the services of a third-party marketing and sales distributor of its services to secure and provide the necessary customer authorization. The marketing and sales distributor could not produce proof of authorization by the customer. Qwest maintains that it has not willfully or repeatedly violated KRS 278.535 in this case.

5. The facts of the PIC switch and alleged violation as set out herein are adopted as a part of these stipulations. These stipulations are proposed by Commission Staff and Qwest for the purposes of reaching a settlement in Case No. 99-326. In the event such settlement is not reached, these proposed stipulations will be withdrawn.

6. Nothing contained herein shall be construed as an admission of a violation of KRS 278.535 by Qwest, nor shall the Commission's acceptance of this Agreement be construed as a finding of a violation of KRS 278.535 by Qwest, and the facts contained herein shall not be cited as precedent in any other proceeding, except to enforce this Settlement Agreement.

NOW, THEREFORE, Qwest and Commission Staff agree that:

1. Qwest shall pay a civil penalty of Two Thousand Five Hundred Dollars (\$2,500.00) in full settlement of this proceeding.

2. Within 10 days after entry of an Order approving this Settlement Agreement, Qwest shall pay to the Commonwealth of Kentucky Two Thousand Five Hundred Dollars (\$2,500.00). This payment shall be in the form of a cashier's check made payable to "Treasurer, Commonwealth of Kentucky," and shall be mailed to delivered to the Office of General Counsel, Public Service Commission, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602.

3. This Agreement is specifically subject to the acceptance of and approval by the Commission.

4. Nothing contained herein shall be construed as an admission of a violation of KRS 278.535 by Qwest, nor shall the Commission's acceptance of this Agreement be

construed as a finding of a violation of the statute by Qwest. Neither the payment of a civil penalty nor any other agreement contained herein shall be construed as an admission of a violation, nor shall it be construed as an admission by Qwest of any liability in any legal proceeding or lawsuit arising out of the facts set forth herein. This Settlement Agreement and the stipulations contained herein may not be cited in any other proceeding or matter, except they may be used in a proceeding between the Commission and Qwest to enforce this Settlement Agreement. This case shall be terminated upon the entry of a Commission Order accepting the Settlement Agreement in satisfaction of the show cause Order dated August 12, 1999.

5. If the Commission fails to accept and approve this Settlement Agreement in its entirety, then this proceeding shall go forward and each of the terms of the Settlement Agreement or any matters raised during the settlement negotiations or contained herein shall not be binding upon any of the signatories.

6. If the Commission accepts and adopts this Settlement Agreement in its entirety and enters an Order in this proceeding to that effect, Qwest shall not apply for a rehearing of this matter, nor bring any legal action for judicial review of that Order.

AGREED TO BY:

QWEST COMMUNICATIONS CORPORATION

By _____

Date _____

Title _____

Katherine K. Yunker
Counsel for Qwest Communications Corporation

Date _____

PUBLIC SERVICE COMMISSION OF KENTUCKY

By _____
Dale Wright, Staff Attorney

Date _____

DRAFT

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOUISVILLE GAS AND ELECTRIC COMPANY)
)
_____)

CASE NO. 98-592

ALLEGED FAILURE PURSUANT TO)
807 KAR 5:041, SECTION 3, TO COMPLY)
WITH NATIONAL ELECTRIC SAFETY CODE)
("NESEC"), 1990 EDITION, SECTION 23,)
CLEARANCES, RULE 234 B, 1&2)

O R D E R

On November 20, 1998, the Commission directed Louisville Gas and Electric Company ("LG&E") to appear at a hearing to show cause why it should not be penalized pursuant to KRS 278.990 for its alleged violation of Commission regulation 807 KAR 5:041, Section 3, which invokes the National Electric Safety Code, Section 23, Clearances, Rule 234B, 1&2.

^{Settlement} Before commencement of this proceeding, LG&E and Commission Staff entered into negotiations to resolve all outstanding issues. On March 16, 2000, they executed a Settlement Agreement which is appended hereto. In reviewing the Settlement Agreement, the Commission has considered, *inter alia*, the circumstances and seriousness of the incident that is the subject of this proceeding, and LG&E's efforts to comply with the Commission's safety regulations. After reviewing the Settlement Agreement and being otherwise sufficiently advised, the Commission finds that the

DRAFT

Settlement Agreement is in accordance with the law, does not violate any regulatory principle, results in a reasonable resolution of this case, and is in the public interest.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement is incorporated into this Order as if fully set out herein.

2. The terms and conditions set forth in the Settlement Agreement are hereby adopted and approved.

3. Within 10 days of the date of this Order, LG&E shall pay to the Commonwealth of Kentucky the sum of One Thousand Five Hundred Dollars (\$1,500.00). This payment shall be made in the form of a cashier's check made payable to "Treasurer, Commonwealth of Kentucky" and shall be mailed or delivered to the Office of General Counsel, Public Service Commission, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602.

4. This case is closed and shall be removed from the Commission's docket.

Done at Frankfort, Kentucky, this

By the Commission

ATTEST:

Executive Director

YUNKER & ASSOCIATES

David A. Cohen
P.O. Box 21784
Lexington, KY 40522-1784

RECEIVED
DEC 01 1999
PUBLIC SERVICE
COMMISSION
606-266-0415
FAX: 606-266-3012
cohen@desuetude.com

November 30, 1999

Helen C. Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

Re: Case No. 99-326

Dear Ms. Helton:

These are comments regarding the contents of the informal conference memorandum prepared by Commission staff attorney Dale Wright and enclosed in your letter dated November 22, 1999. Katherine K. Yunker and I attended the informal conference on behalf of Qwest Communications Corporation ("Qwest"), the named party in the above-referenced Public Service Commission case.

(1) As noted in the memorandum, Commission staff have requested that Qwest forward a copy of the proposed compliance plan which was to be submitted to the FCC on November 18, 1999. A copy of the proposed plan submitted on that date, Slamming Compliance Plan of Qwest Communications International Inc. ("Plan"), is enclosed with this letter. This Plan is preliminary in nature. Upon its submission, the FCC informed Qwest that it would examine the Plan for about two weeks, then schedule a meeting with Qwest in early December to discuss suggested changes or alterations to the Plan. As a consequence, the compliance plan which is finally submitted to the FCC for approval may be different from the proposed plan enclosed. The Plan makes reference to a Proprietary Attachment, but that attachment is not enclosed with this letter. Qwest has submitted the Proprietary Attachment to the FCC with the request that its contents be granted confidential treatment. See Plan at p.2 n.2.

(2) In the third paragraph of the informal conference memorandum, Mr. Wright notes that a conference call was made to Carol Kuhnow, Qwest's senior manager for tariffs, and states that she provided to those present information relevant to allegations in the Commission's show cause order. Our recollection as to particular information supplied is as follows:

(a) Ms. Kuhnow described at some length the measures taken by Qwest since September 27, 1999, to prevent unauthorized service changes. The measures Ms. Kuhnow described are also described in the enclosed Plan at pages 2-6. Those

measures include verification of service changes, and making electronic copies of the information, and third party audits.

(b) It is our recollection that there was some concern among the Commission staff present as to the situations in which a Qwest customer might be placed on "casual billing" status. Ms. Kuhnow explained that this might occur in any of four situations:

- when a customer is in the process of being switched from an old carrier to a new carrier and no permanent account has yet been established for that customer by the new carrier;
- for incidental usage, as when the customer "dials around," by using a 10-10-XXX number;
- when a customer's account has been closed at the new carrier, but the customer has not been re-connected to the original carrier, because the customer has not yet contacted the LEC directly to accomplish this; or
- if there is a brief period of overlap between carriers, so that one carrier would bill to its normal account, while the other carrier would casual bill the customer.

This explanation served to clarify that matter for Mr. Wright and the other Commission staff present.

(3) During the course of the informal conference there was an effort by the Commission staff to obtain the PIC history for Look Out Marine Sales. The staff advised that a copy of that PIC history would be forwarded to us when available. If that document has been received, we would appreciate being sent a copy. (Mr. Wright also offered to provide a copy of the FCC ruling which is referred to in the fourth paragraph of the informal conference memorandum; we can obtain a copy from Qwest if it is later required.)

I have enclosed twelve (12) additional copies of this letter and of the enclosed Plan, in case they are needed for staff or Commission members. Thank you for your attention to this matter.

Sincerely,



David A. Cohen

Enclosures

cc: Dale Wright, Esq.
Hélène Courard, Esq.

**SLAMMING COMPLIANCE PLAN OF
QWEST COMMUNICATIONS INTERNATIONAL INC.**

**SUBMITTED TO THE
FEDERAL COMMUNICATIONS COMMISSION
FCC FILE NO. ENF-99-11**

NOVEMBER 18, 1999

**SLAMMING COMPLIANCE PLAN OF
QWEST COMMUNICATIONS INTERNATIONAL INC.**

Qwest Communications International Inc. ("Qwest") hereby submits the following Compliance Plan providing a comprehensive description of Qwest's policies and procedures to eradicate slamming. This Compliance Plan details Qwest's current "zero tolerance" policies with respect to slamming as well as the additional actions it will take to bolster those policies to ensure full compliance with Section 258 of the Communications Act and the Commission's rules and orders relating to PIC changes.¹

Qwest is fully committed to implementing additional, commercially feasible processes if they can assist in eradicating unauthorized PIC changes. In this Compliance Plan, Qwest proposes substantial new protections against slamming, protections which significantly exceed those required in strict compliance with the FCC's rules and which in most instances go far over and above procedures that its competitors are using. These new procedures will strengthen the safeguards in place within its order processing system to prevent slamming, intensify distributor training and enforcement, and allow Qwest to correct weaknesses that may be discovered in its anti-slamming protections.

In the first section of this Compliance Plan, Qwest briefly outlines its current anti-slamming procedures, put in motion to implement Qwest's "zero tolerance" policy with respect to slamming violations. In the second section, Qwest discusses further improvements it is

¹ Qwest intends that the additional actions proposed herein be effective for a period of two years beginning the release date of any order issued in this proceeding.

implementing to strengthen the effectiveness of its zero tolerance policy and ultimately to eradicate slamming.²

I. **QWEST'S CURRENT POLICIES AND PROCEDURES WITH RESPECT TO SLAMMING.**

As described in Qwest's Response to the Notice of Apparent Liability, Qwest has a zero tolerance policy for slamming violations. Qwest employs a three-pronged approach to controlling slamming – relying on strict rules of acceptable behavior, order processing procedures designed to weed out suspect orders, and decisive enforcement against violators. The most significant aspects of each element are discussed below.

A. **Rules of Fair Dealing and Honesty**

Anti-Slamming Advisory. Each Qwest distributor and each person in any way involved in the marketing of Qwest's services must review Qwest's anti-slamming policies set out in an Advisory and affirm that he or she understands the Advisory and will adhere to its contents. This Advisory explains the common causes of slamming, identifying problem areas such as incorrect telephone numbers, illegible information on an LOA, authorization from the wrong person, and "signing someone up just to 'get the sale.'" In addition, the Advisory warns that slamming is a very serious problem which will be dealt with severely.

The Advisory instructs sales representatives on the ways in which they can protect against inadvertently unauthorized switches, and offers the following recommendations:

² This Compliance Plan discusses a number of policies and procedures used to detect attempts by unscrupulous sales agents to pass bad orders through Qwest. The effectiveness of these policies and procedures may be compromised by widespread disclosure of their precise operation, as it may allow a distributor to defeat Qwest's protection mechanisms. Accordingly, Qwest has segregated those elements which require confidentiality in a Proprietary Attachment to this Compliance Plan, and is seeking confidential treatment of the attachment.

- You are strongly encouraged to verify information against each new customer's actual telephone bill for each LOA.
- The person signing the LOA should be a person with authority to act on behalf of the company or the person whose name appears on the telephone bill. It is essential that the person signing the LOA has authority to change long distance carriers.
- NEVER sign someone else's name on an LOA or any other document!
- Don't force a sale that is not there.

In addition, the Advisory gives the following warning: "*Note that children, roommates, receptionists, secretaries and assistants typically do not have the authority to change long distance carriers for an individual or a company.*"

Every sales representative must sign an Acknowledgement confirming that he or she has read the Advisory, understands its contents, and will adhere to the policies described therein. Violations of these policies are grounds for termination of the sales representative.

B. Order Processing Procedures

Qwest has improved its order processing procedures over the past year. These improvements provide a better assurance that each order is supported by a complete and valid LOA, and improve the opportunity for consumers to detect improper orders early in the process.

Submission and Scanning of LOAs. Beginning in late September 1999, Qwest improved its procedures for receiving and reviewing the LOAs upon which orders are based. Whereas previously sales representatives (although required to obtain an LOA in all instances) did not submit the LOA unless requested, Qwest now requires for every order that the sales representative transmit to Qwest the LOA upon which the sale is based. A Qwest employee reviews each LOA to ensure it is complete and facially valid. Qwest rejects any LOA with an apparently invalid or forged signature. If an LOA passes this facial review, it is scanned into Qwest's computer system by an independent third party. By scanning the LOA, Qwest obtains a visual image of the entire LOA, which enables, upon request, a comparison of the LOA with

other information provided by the customer or regulatory agency. In addition, the scanned image can be searched on several identified data fields. Qwest is exploring ways in which this data may be used in the future – such as through comparison to independent data – in order to identify forged signatures or falsified information contained on an LOA.

This process enables Qwest to weed out the most egregious instances of slamming. By reviewing each LOA submitted, Qwest can identify patterns that suggest an improper order, such as repetitive information on multiple orders or blatant discrepancies in handwriting on an LOA. Moreover, the process ensures that Qwest has on file an LOA for each order before it is submitted to the LEC to initiate the PIC change. In addition, the process gives Qwest the ability to rapidly retrieve and provide information about the authorization upon request from a customer or regulatory agency, and possibly will enable more sophisticated analyses of LOAs in the future.

Welcome Postcard. Shortly after an order is entered into Qwest's system, Qwest mails a welcoming postcard to the customer informing her that it has received and is processing the order. The postcard informs the customer that Qwest has received an order to change the customer's preferred long distance carrier on the telephone line(s) listed. The postcard states that the customer's local telephone company shortly will be implementing the change and informs the customer to call the listed toll-free number if she has any questions about the order.

This postcard provides every customer to be switched to Qwest with notice that a switch is occurring. Qwest uses the postcard as a way to give the customer an opportunity to detect an improper order, ideally before the switch occurs, but in any event, before the customer receives his or her first bill from Qwest or their local exchange company. By notifying a

customer promptly after receipt of her order, Qwest hopes to identify any problems at the point in time when they can be corrected most easily and with the least impact on customers.

CARE Flags. When Qwest receives from the local exchange companies a code representing a disputed switch based on an allegation of slamming, it places a flag on the telephone number(s) identified. These flags are used to prevent reinstallation of Qwest service to the same customer after an allegation of an unauthorized switch. Qwest is in the process of implementing a system of additional flags that accomplishes the same function for instances of potentially unauthorized switches identified by other means. Qwest expects to implement this new edit immediately after expiration of its "Year 2000" moratorium on computer system changes.

C. Enforcement Procedures

Charge-Backs and Disgorgement of Profits from Slamming. Qwest's distributor agreements provide the company with an arsenal of weapons it may use when slamming is detected. One particularly important weapon is Qwest's ability to eliminate the economic incentive for slamming by charging back all commissions and fees associated with a slammed order. When Qwest receives notice of a PIC dispute from the LEC, it immediately requires the distributor involved to investigate and report back promptly.³ If the distributor fails to produce evidence that the order was supported by a valid LOA or if the distributor does not respond within the time period, Qwest will treat the order as an unauthorized switch. Consequently, Qwest automatically will charge back all commissions and fees paid to the distributor.

Qwest will continue to scrutinize these unauthorized orders, however. In addition to charging back commissions, Qwest also is entitled to charge the distributor for administrative

³ See the Proprietary Attachment appended hereto.

and LEC fees imposed, and to assess other penalties if an order is not supported by a valid LOA. If a distributor has failed to provide evidence of valid authorization as described above, Qwest will require the distributor to investigate the order further and to report back to Qwest within a reasonable time identifying the cause of the invalid order and any remedial action taken. If the distributor does not take adequate remedial action or fails to provide this report, Qwest will assess administrative and LEC fees, and additional penalties as permitted by its contracts.

Reporting and Tracking. Qwest now compiles, on a regular basis, a series of reports that track distributor performance in the submission of orders to Qwest. These reports track, by distributor, (1) the percentage of distributor orders rejected for facial defects (tracked daily), (2) the number of orders and amount of commissions charged back to distributors (tracked weekly), and (3) the percentage of PIC disputes and associated billing adjustments to distributors (tracked weekly). A detailed description of each report is provided in the Proprietary Attachment appended hereto. Currently, these reports are used to identify problems with specific distributors, and will be used by Qwest as the basis for action ranging from warning letters to termination of problem distributors.

II. ADDITIONAL ANTI-SLAMMING PROCEDURES TO BE IMPLEMENTED BY QWEST.

Qwest is dedicated to the continuing improvement of its anti-slamming efforts.

Effective for the next two years, Qwest proposes to take the following additional actions:

Targeted Third Party Verification of Sales or Sales Channels. In any area where Qwest determines that orders are more susceptible to potential abuse, Qwest will require independent third party verification ("TPV") for these orders. Qwest will review its sales channels and overall performance from time to time to determine types of orders or particular

sales channels where TPV is appropriate.⁴ Qwest has decided to require TPV on some orders immediately, as set forth in the Proprietary Attachment to this Compliance Plan.

Where Qwest requires verification of orders, all verifications will be provided by an unaffiliated company, and will be conducted in compliance with the Commission's standards for third party verification of telemarketing orders. All TPV sessions will be recorded and maintained for a period of at least two years.

Strengthened Distributor Enforcement Procedures. Qwest will revise its enforcement procedures in order to include clear and objective "triggers" to identify slamming or other marketing problems quickly and to provide effective remedial action. The revised enforcement procedures will be based on internal reporting and tracking mechanisms put in place to monitor distributor performance. If a distributor's improper orders exceed a pre-set threshold of performance, Qwest immediately will begin remedial procedures. In addition, Qwest will use different thresholds to target slamming activity directly. In order to prevent distributors from "gaming" Qwest's detection mechanisms, the precise tracking mechanisms employed and thresholds to be used are described in the Proprietary Attachment to this Compliance Plan.

Inadequate performance initially will trigger mandatory training and additional monitoring to increase the submission of valid orders. Qwest will require the distributor to receive follow-up training sessions (at its own expense) focusing on proper sales techniques and methods to reduce rejected orders.⁵ As necessary to remedy specific problems, Qwest will require the distributor to implement specific changes designed to reduce its incidence of bad

⁴ Qwest will not inform its distributors in advance of the orders that will be required to undergo TPV, and Qwest will retain the discretion to revise its procedures at any time.

⁵ Qwest will conduct this training at the distributor's main offices, and the distributor will be required to have its own sales representatives present for the follow-up training.

orders. In addition, Qwest will require all of the distributor's sales representatives to reaffirm and re-sign Qwest's Anti-Slamming Advisory and will require a Distributor Self-Audit (discussed *infra*) on a monthly or weekly basis, as necessary under the circumstances.

If performance does not improve quickly after this additional training and monitoring, Qwest will respond with more severe remedial measures and, if performance still has not improved, with termination of the distributor relationship. If additional training and monitoring do not produce a higher level of acceptable orders on those orders submitted within a reasonable time after the training,⁶ Qwest (1) will require all of the distributor's orders to be independently third-party verified prior to submission to Qwest, (2) will require re-affirmation of the Anti-Slamming Advisory, (3) will require more frequent Distributor Self-Audits, and (4) may impose additional penalties in its discretion. If subsequent orders still do not show prompt improvement, then, as the third and final level of enforcement, the distributor will be terminated. The specific time periods for improving distributor performance are set out in the Proprietary Attachment to this Compliance Plan.

Strengthened Sales Representative Enforcement Procedures. Effective immediately, Qwest will require every sales representative involved in any way in the marketing of Qwest services to periodically review and sign Qwest's Anti-Slamming Advisory. Qwest will require sales representatives to sign the Advisory at least once every six months, and to affirmatively commit each time to follow its policies.

Furthermore, Qwest will apply its zero tolerance policy to every instance of a forged LOA. If any individual is discovered to have forged a customer's signature, Qwest will require that the offending individual be terminated immediately. This policy will apply in the

⁶ See the Proprietary Attachment appended hereto.

first instance of a forged LOA; sales representatives will not be given an opportunity to mend their ways.⁷ Qwest will apply this policy to other egregious violations of FCC rules as they may arise.

In addition, if in Qwest's sole discretion, Qwest determines that an individual sales representative is involved in a significant number of improper orders, Qwest will issue warnings to the distributor and require the distributor to report back detailing the remedial actions it took to correct the problem. If problems persist, Qwest will require that the sales representative be reassigned or terminated. Qwest's current policies for initiating action against sales representatives is described more fully in the Proprietary Attachment to this Compliance Plan.

Intensified Pre-Screening of Distributors. Qwest will strengthen the pre-screening measures it employs to ensure that potential distributors are honest and reputable. In addition to its existing pre-screening, Qwest will require every new distributor to disclose all instances where it has been accused of slamming or other deceptive business practices. Qwest will require that all instances be fully disclosed, including allegations made against affiliates, predecessor companies, the distributors' officers, directors or principals, and any companies with which the officers, directors or principals previously or currently are associated. Qwest will immediately terminate a distributor contract upon discovery of any inaccurate or incomplete disclosures made by a distributor.

In addition, Qwest will place new distributors on probationary status for the first 90 days. During this time, Qwest will conduct performance reviews to ensure the distributor meets Qwest's standard of performance. If during this probationary period, the distributor's

⁷ The distributor will be required to certify, within 5 business days of receiving notice from
(continued...)

performance falls below a pre-set threshold of quality, then Qwest will terminate its relationship with the distributor. The standards Qwest will apply in assessing performance during the probationary period are described in the Proprietary Attachment to this Compliance Plan.

Periodic "Refresher" Training of Sales Representatives. In addition to initial training sessions, Qwest will mandate routine refresher training courses for its distributors. These refresher courses will provide periodic reinforcement of Qwest's anti-slamming policies, including improvements to its procedures implemented since the initial training. In addition, these sessions will cover general sales techniques and will provide a vehicle for discussing new areas of concern that may develop. Each distributor must participate in refresher training courses at least annually.

Order Processing. Qwest will also keep a "stay away" list of customers who have either (1) complained about being slammed in the past; or (2) expressed their intent never to purchase Qwest's services. Consumers will remain on this list for a minimum of one year. When an order is submitted to Qwest, it will be matched against this "stay away" list so as to ensure that consumers on the list are not switched by Qwest. If, however, an order is rejected because it is on the "stay away" list, Qwest will give the consumer an opportunity to decide that he nevertheless would like Qwest service. Qwest will remove the customer from the stay away list and permit a switch only if the customer requests in writing that Qwest do so and sends a copy of the first page of his LEC bill in order to verify authorization.

Independent Audits. Qwest also will annually engage an independent auditor to conduct an examination of its reporting and data tracking mechanisms and the enforcement procedures based upon those reports. This examination shall be supervised by persons licensed

(...continued)

Qwest, that the sales representative was terminated.

to provide public accounting services and shall be conducted in accordance with the relevant standards of the AICPA. Qwest will provide the auditor with full access to all records necessary to conduct the required examination. The independent auditor shall provide an opinion (with exceptions, if any, noted) in a written report submitted to the Board of Directors of Qwest. Qwest's new Senior Vice President of Consumer Markets, who will lead Qwest's expanded anti-slamming initiative, will oversee the implementation of any procedural changes recommended as a result of the auditor's report.

Distributor Self-Audits. Qwest will require each of its distributors to report, on at least a quarterly basis, the results of an internal audit of its anti-slamming procedures. Qwest will require distributors to certify that they are adhering to the Anti-Slamming Advisory, and to report any complaints or inquiries concerning alleged incidents of slamming by the distributor.⁸

* * *

Qwest believes that proposed changes, in conjunction with its existing procedures, will further reduce instances of unauthorized switching. Many of the steps outlined above are unprecedented in the industry and will far exceed what is required for strict compliance with the FCC's rules. Qwest is committed to reducing slamming through any commercially feasible mechanism.

⁸ In the event a distributor promotes the services of other companies in addition to Qwest, Qwest will require the distributor to report all allegations of slamming, regardless of on whose behalf the distributor was acting.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
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(502) 564-3940
Fax (502) 564-1582

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen C. Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

November 22, 1999

Ms. Katherine K. Yunker
Post Office Box 21784
Lexington, Kentucky 40522-1784

Re: Qwest Communications Corporation
Case No. 99-326

Dear Ms. Yunker:

Attached is a copy of the memorandum which is being filed into the record of the above-referenced case. Ms. Yunker, as counsel of record, you may distribute the memorandum as you deem necessary to other Qwest representatives.

If you have any comments that you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Dale Wright at 502/564-3940, Extension 235.

Sincerely,


A handwritten signature in black ink that reads "Helen C. Helton".

Helen C. Helton
Executive Director

DW:v
Attachment

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

FILED
NOV 22 1999
PUBLIC SERVICE
COMMISSION

TO: Case File No. 99-326 
FROM: Dale Wright, Staff Attorney
DATE: November 22, 1999
SUBJECT: Qwest Communications Corporation

On November 1, 1999, the Commission Staff convened an informal conference with representatives of Qwest Communications Corporation ("Qwest") to discuss the issues set out in a show cause order issued on August 12, 1999. The show cause order concerned a single allegation against Qwest involving a switching violation of KRS 278.535 relative to Look Out Marine Sales (phone number 606/561-5904).

Present on behalf of the Commission were Dale Wright, Ginny Smith, and Bob Johnston. Representatives appearing on behalf of Qwest were David Cohen and Katherine K. Yunker. (Conference sign-in sheet is attached.)

During the conference, a phone call on behalf of Qwest was made to Carol Kuhnow who is the senior manager of Qwest's tariff division. Her discussion on the phone gave us at the conference various information concerning the alleged slamming. The allegations of the show cause order are not disputed and Qwest acknowledges that it cannot produce a letter of authorization or a taped electronic recording to show that the subject switch was authorized. Qwest was relying on a marketing company called Campus Promotion Network to provide either a letter of authorization or an electronic recording evidencing that the switch was authorized. But Qwest acknowledges that the marketing agent provided neither.

Commission Staff referred to a proceeding before the Federal Communications Commission, file number ENF-99-11, regarding Qwest Communications International Inc. The FCC order assesses fines against Qwest Communications International Inc. and further requires that Qwest file a complete compliance plan detailing the actions it will take and procedures it will establish to ensure compliance with the Federal Act. Counsel for Qwest agreed to make that plan available for the record herein as soon as possible after its release. It is Qwest's position that this was not a "willful" violation of KRS 278.535 and, therefore, no penalty for any violation should be assessed.

Attachment



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 27, 1999

Carol P. Kuhnow
Tariffs & Regulatory Affairs
Qwest Communications Corporation
4250 N. Fairfax Drive
Arlington, VA. 22203

RE: Case No. 99-326

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

Stephanie Bell
Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)
)
ALLEGED VIOLATION(S) OF KRS 278.535) CASE NO. 99-326
SWITCHING OF TELECOMMUNICATIONS)
PROVIDER)

O R D E R

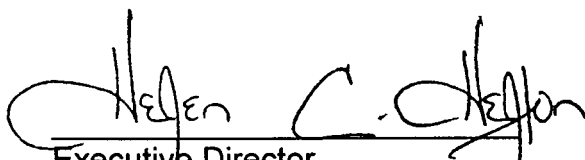
Qwest Communications Corporation ("Qwest"), having filed its response herein and having requested an informal conference, and the Commission, finding good cause, HEREBY ORDERS that:

1. The hearing scheduled for November 9, 1999 is cancelled in order to schedule an informal conference.
2. An informal conference is scheduled on November 1, 1999 at 1:30 p.m., Eastern Standard Time, in Hearing Room 2 of the Commission's offices at 677 Comanche Trail, Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 27th day of October, 1999.

By the Commission

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 07 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)
_____)

ALLEGED VIOLATION(S) OF KRS 278.535)
SWITCHING OF TELECOMMUNICATIONS)
PROVIDER)

Case No. 99-326

REQUEST FOR INFORMAL CONFERENCE AND RESPONSE
OF QWEST COMMUNICATIONS CORPORATION

Qwest Communications Corporation ("Qwest"), by and through its undersigned counsel, hereby appears, responds to the Order of the Kentucky Public Service Commission ("Commission") initiating Case No. 99-326, and requests an informal conference with the Commission Staff:

APPEARANCE

Qwest hereby appears in this proceeding, within 20 days from the date of receipt of the initiating Order. Copies of all orders, pleadings, and other communications relating to this proceeding should be directed to:

Carol Kuhnow
Senior Manager-Tariffs
QWEST COMMUNICATIONS CORPORATION
4250 N. Fairfax Drive
Arlington, VA 22203

and to Qwest's attorneys for this proceeding:

Hélène J. Courard, Esq.
State Attorney-Government Affairs
QWEST COMMUNICATIONS CORPORATION
4250 N. Fairfax Drive
Arlington, VA 22203

Katherine K. Yunker, Esq.
836 Euclid Ave.; Suite 301
P.O. Box 21784
Lexington, KY 40522-1784

REQUEST FOR INFORMAL CONFERENCE

Pursuant to Ordering ¶ 4 of the initiating Order and 807 KAR 5:001, Section 4(4), Qwest requests an informal conference with the Commission Staff, prior to any formal hearing, to consider any matter which would expedite the handling or disposition of this proceeding.

RESPONSE

Pursuant to Ordering ¶ 1 of the initiating Order, Qwest submits the following response to the allegations contained in the Order:

Summary

1. Although Qwest has reason to believe that a signed Letter of Agency (LOA) had been obtained for the change in Primary Interexchange Carrier (PIC) for the business service of Lookout Marine Sales (“Lookout”), it is unable to produce an LOA from an owner or operator of Lookout showing authorization for the PIC change.
2. Qwest does not accept or condone the unauthorized conversion of PICs (“slamming”) and has implemented stringent policies and procedures designed to prevent its occurrence.
3. Qwest also takes effective corrective action in the event an improper switch is made, including: (a) refunds to the customer; and (b) disciplinary action, up to and including termination, against any sales agent found to have violated rules and policies applicable to changes of PICs.
4. Qwest has not willfully or repeatedly engaged in unauthorized customer conversions, and believes no further action by the Commission is necessary to ensure that Qwest does not engage in slamming.

LOA for the Lookout PIC Change

5. Qwest's records indicate that the Lookout numbers (606-561-5904 and 606-561-8768) were PICd to Qwest on August 14, 1998, and were PICd away from Qwest at the local exchange carrier (LEC) on February 8, 1999. In March 1999, Qwest issued credits to the Lookout numbers: one credit, of \$10 to each number, was to cover the switch fee involved; the other, of \$133.16, was for a rerate of charges billed to the Billing Telephone Number (606-561-5904).

6. Campus Promotion Network, Inc. ("CPN"), a third-party marketing and sales distributor of Qwest's services, submitted the account order for Lookout's business service. By contract, CPN is obligated to use the LOAs approved by Qwest, and must obtain a signed LOA for each order it submits.

7. In providing Qwest with the customer information for Lookout, CPN represented to Qwest that it had obtained an LOA for the PIC change. Qwest had no reason to believe that CPN did not comply with Qwest's policies against slamming or the requirement to obtain proper authorization to switch the account to Qwest service.

8. Upon receiving the complaint filed by Ruth Troxtell, Qwest began its investigation, and in so doing, contacted CPN for a copy of the LOA. However, on March 5, 1999, CPN notified Qwest that it was unable to locate the LOA.

9. Qwest acknowledges that KRS 278.535(2) provides that no telecommunications customer shall be switched "without the customer's letter of agency or the electronically recorded authorization of the customer, indicating that the customer knowingly approved the specific details of the switch." Qwest admits that, in this instance, it is unable to provide to the Commission an LOA (or an electronically recorded authorization) of a Lookout owner or operator that evidences authorization for the switch.

Qwest's Policies and Procedures to Prevent Slamming

10. Qwest complies with all applicable federal and state regulations governing the marketing and submission of PIC change orders.

11. Qwest's standard LOA is a separate, written statement whose sole purpose is to authorize a change in PICs. Qwest does not combine LOAs in a single document with sweepstakes, contests, drawings, or other inducements. The LOA uses clear and legible language that (a) appoints Qwest to act as the customer's agent for purposes of making a PIC change; (b) confirms the customer's billing name and address, and identifies each telephone number to be switched; (c) states that the customer desires to switch from his or her current carrier to Qwest; and, (d) otherwise complies with the content requirements of FCC rules and 807 KAR 5:062, Section 2(1). In addition, if Qwest solicits an order via outbound telemarketing, it obtains independent third-party verification of the order prior to submitting it to the LEC, in compliance with FCC rules and 807 KAR 5:062, Section 2(3).

12. Qwest's efforts to prevent unauthorized conversions are not limited to technical adherence to rules governing LOAs and telemarketing. Qwest has developed and implemented stringent internal controls to prevent the occurrence of slamming. Qwest has adopted a "zero tolerance" policy for slamming throughout its sales organization. This policy is embodied in an advisory entitled "Qwest's Policies and Procedures Regarding Slamming Prevention," which is distributed to all persons selling Qwest's services. (See Exhibit 1.) This Slamming Policy Statement emphasizes that slamming is illegal and will not be tolerated by the company.

13. Qwest's Slamming Policy Statement identifies the common causes of slamming and declares them unacceptable; it also lists practical suggestions for avoiding improperly authorized orders. It provides that sales personnel are "strongly encouraged to verify informa-

tion against each new customer's actual telephone bill" in order to ensure the customer is authorized and prevent errors. In addition, the person signing the LOA "should be the same person whose name appears on the telephone bill," and sales representatives are warned that children, roommates, and secretaries "typically do not have the authority to change long distance carriers" for the person whose name appears on the bill. The Slamming Policy Statement also advises sales personnel to review the LOA for accuracy and legibility, and to confirm the number(s) being switched. Finally, the Policy Statement makes clear that under no circumstances should a sales representative sign someone else's name on an LOA or other document, or "force a sale that isn't there."

14. Every person involved in the sale of Qwest's services must sign a written acknowledgment confirming his or her understanding and adherence to it. Every individual sales representative must affirm that he or she "received, read, understand[s] and will comply with" the policy statement, and that the person "fully understand[s] and appreciate[s] [his/her] obligations...not to engage in or facilitate the practice of 'slamming' customers." Further, the signatory acknowledges that Qwest will not tolerate slamming and "will take whatever actions are necessary to protect against slamming including without limitation, termination of the sales agent relationship and enforcement of all applicable legal rights and remedies."

15. Qwest ensures that all of its independent, third-party distributors adhere to the Slamming Policy Statement as well. Qwest enters into contractual arrangements with third parties to act as independent sales distributors on behalf of the company. A standard provision in each such Agreement is that each signatory distributor must submit a sales and marketing plan to Qwest for its approval. The distributors are required to use LOAs approved by Qwest, and must obtain a signed LOA for each order they submit. Each Agreement contains the Qwest Slamming

Policy Statement as an exhibit, which must be distributed to, and signed by, every individual involved in selling Qwest's services. The distributor certifies that it has distributed the Slamming Policy Statement to all of its employees. Violations of these provisions are grounds for Qwest to terminate the Agreement or to suspend acceptance of any further orders from the distributor until it comes into compliance with the Agreement. As part of its enforcement of its policies, Qwest reserves the right to refuse to accept orders from specific sales personnel suspected of improper activities or to require that such individuals' employment be terminated. Over the past year, Qwest has terminated several such sales representatives for suspected non-compliance with the requirements of the Slamming Policy Statement.

16. CPN entered into an Agreement as described above. (See Exhibit 2, Residential Distributor Program Agreement between CPN and LCI International Telecom Corp., which later merged with Qwest and is now a Qwest subsidiary.) Pursuant to the procedures outlined above, CPN submitted a sales and marketing plan to Qwest, which Qwest approved. The Agreement between Qwest and CPN contains the Slamming Policy Statement as an exhibit, and CPN has certified that it has distributed that statement to all of its employees. (See Exhibit 3.)

17. Each distributor is responsible for maintaining the LOAs which generate the customer account changes and these LOAs are kept by the distributor at its location. The distributor sends Qwest the list of names and customer information which Qwest processes through the Customer Account Record Exchange and thereby sets up an account for each customer name provided. If an unauthorized switch is alleged, Qwest contacts the distributor for a copy of the LOA associated with the account in question.

Qwest's Policies and Procedures to Remedy an Improper Switch

18. In situations where an improper switch is made — in spite of the precautionary mechanisms in place — Qwest takes the following steps to correct the error promptly:

- (A) Qwest will ensure that the customer receives service from the carrier of choice. Qwest immediately disconnects the customer from the Qwest long distance service and informs the customer of how to switch back to the service of the preferred carrier.
- (B) Qwest reimburses the customer for any LEC-imposed switching fees incurred in the initial switch to Qwest and in the switch to another carrier. Qwest also will reimburse the customer the difference (if any) between Qwest's rates and those of the carrier of choice. In unusual cases or those involving egregious conduct, Qwest may extend the customer a full credit for all charges assessed by Qwest.
- (C) Qwest investigates all allegations of slamming and takes disciplinary action against distributors (or individual sales agents) that have submitted unauthorized orders. Qwest's Distributor Agreement permits it to assess distributors for LEC switching fees and any other charges attributable to inadequate or improper PIC authorizations, thereby ensuring that neither the distributor nor the individual sales agent profits from improper orders. In addition, the distributors' commissions are based upon collected revenues, and Qwest stops payment of commissions traceable to unauthorized orders. In cases of recurring or apparently knowing conduct, the sales representative involved is terminated.

19. Qwest's goals in these situations are to: (a) satisfy the customer that has been inconvenienced; and, (b) take appropriate disciplinary action against the employee or distributor to prevent future occurrences.

Inappropriateness of KRS 278.535(6) Penalties

20. Qwest takes very seriously its obligation to accommodate the wishes of consumers of telecommunications services in selecting a PIC. As evidenced above, Qwest has made a serious and comprehensive effort to combat slamming. Qwest is committed to taking action necessary to remedy any improper switch that occurs. On no occasion has Qwest knowingly or intentionally caused any Kentucky consumer's PIC to be changed without proper authorization.

Moreover, Qwest makes every effort to correct any unknowing or inadvertent change that may be made without proper authorization, and to make the affected consumer whole.

21. There is no evidence that Qwest has willfully or repeatedly violated KRS 278.535 or 807 KAR 5:062. Qwest initiated the PIC change for Lookout in reasonable reliance on: (a) its policies and procedures to prevent slamming; (b) CPN's contractual obligation to obtain a signed LOA for each order it submits; and (c) CPN's representation, in providing Qwest with customer information for Lookout, that it had obtained an LOA for the services change. Even if the PIC change was made without proper authorization from Lookout, that does not constitute a repeated violation of the statute or Commission regulations against slamming.

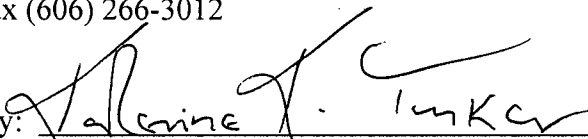
22. There is no cause for imposing on Qwest a fine or other penalty under KRS 278.535(6).

WHEREFORE, Qwest respectfully requests an informal conference with the Commission Staff and that the Commission not impose against it any of the penalties prescribed in KRS 278.535(6).

Respectfully submitted,

Hélène J. Courard, Esq.
State Attorney—Government Affairs
QWEST COMMUNICATIONS CORPORATION
4250 N. Fairfax Drive
Arlington, VA 22203
(703) 363-4443
fax (703) 363-4404

Katherine K. Yunker, Esq.
P.O. Box 21784
Lexington, KY 40522-1784
(606) 266-0415
fax (606) 266-3012

By:  _____

ATTORNEYS FOR QWEST COMMUNICATIONS
CORPORATION

"QWEST'S POLICIES AND PROCEDURES REGARDING SLAMMING PREVENTION"

ADVISORY TO ALL REPRESENTATIVES SELLING QWEST COMMUNICATION CORPORATION'S SERVICES:

All Representatives/Distributors selling Qwest International Telecom Corp.'s (Qwest) long distance service must carefully read the contents of this document. It will explain Qwest's policies and procedures for the sale of Qwest long distance services. The purpose of this document is to explain what can cause unauthorized switching of a customer, the importance of preventing such switching, and the seriousness of the matter to Qwest, its authorized Representatives, and their independent distributors. This document includes an "Acknowledgment" that must be read, signed, and returned to the Representative/Distributor by each individual selling Qwest services. Representatives/Distributors must make a signed copy of this document available to Qwest, upon request.

A. COMMON CAUSES OF SLAMMING:

- Incorrect telephone number submitted on the Letter of Authorization or "LOA" - means that incorrect telephone number is switched without the customer's written consent.
- The submitted LOA is illegible and directly causes the person that keys the order into the system to enter the wrong names and/or phones number.
- The person who "authorized" switching carriers really didn't have the authority to make the switch. Sometimes receptionists, secretaries or assistants authorize a switch to qualify for some sort of premium or other inducement.
- A simple misunderstanding when one partner doesn't tell the other partner or accounts payable personnel about selecting a new long distance service. This is especially true when it is the other person who reviews or pays the bills. The bill-paying partner or accounts payable representative sees a new long distance carrier name and thinks something is wrong. Please ask your customers to inform the appropriate persons within the company about changing long distance carriers.
- Signing someone up just to "get the sale" or reach a qualification or commission level.
- Signing someone up, without the customer's knowledge, as a result of spending a lot of time with a company decision-maker and assuming that the person would be satisfied with Qwest service for the company.

B. EFFECTS OF SLAMMING:

- It is illegal and will not be tolerated by Qwest!
- Creates a bad image and adversely affects Qwest's and the Sales Agent/Distributor's reputation.
- Takes time to investigate and correct.
- If we can get information verified (correct), it will save on:
 1. Order rejects

2. Returned mail
3. Time to process valid and accurate orders.

- Frustrating experience for the company that was slammed.
- Usually the local Telephone Company levies a charge to make the initial switch to Qwest and then charges again to switch the affected customer back to the original long distance Company. Qwest and then the distributor and its sales agents are billed for these costs. These Qwest charges will probably be billed by distributors to their sales agent. This leads to serious consequences for the agent, including termination of the sales agent relationship with Qwest.

Qwest AS WELL AS FEDERAL, STATE, AND LOCAL REGULATORY AGENCIES VIEW "SLAMMING" AS A VERY SERIOUS PROBLEM. THE FCC CAN IMPOSE SIGNIFICANT FINES ON A PER VIOLATION BASIS.

C. HOW CAN A REPRESENTATIVE/DISTRIBUTOR PROTECT AGAINST SLAMMING:

- You are strongly encouraged to verify information against each new customer's actual telephone bill for each LOA.
- The person signing the LOA should be a person with authority to act on behalf of the company. It is essential that the person signing the LOA has authority to change long distance carriers. *Note that receptionists, secretaries and assistants typically do not have the authority to change long distance carriers for the company. If the person signing the LOA is different from the person with the actual authority to do so, you should attempt to contact the other person. While this policy might jeopardize some sales orders, it should give you a chance to retain sales by demonstrating your concern and professionalism.*
- Take your time. Review the LOA for accuracy and legibility, especially the telephone number. Confirm the person's telephone number.
- NEVER sign someone else's name on an LOA or any other document!
- Don't force a sale that is not there.

ACKNOWLEDGMENT

This will verify that I have received, read, understand, and will comply with the document entitled "QWEST'S POLICIES AND PROCEDURES REGARDING SLAMMING PREVENTION". I fully understand and appreciate my obligations as a Qwest sales agent OR INDEPENDENT CONTRACTOR not to engage in or facilitate the practice of "slamming" customers. I understand that Qwest will not tolerate further occurrences of "slamming", and that Qwest will take whatever actions are necessary to protect against slamming including, without limitation, termination of the sales agent relationship and enforcement of all applicable legal rights and remedies.

Signature Of Representative Selling Qwest Long Distance

Date _____

Print Name

Home Phone Number _____

Print Name of Company

Channel Code _____

Organization Code _____

ACKNOWLEDGMENT BY SALES AGENT

This will verify that on behalf of _____, I have received, read, understand, and will distribute the document entitled "QWEST'S POLICIES AND PROCEDURES REGARDING SLAMMING PREVENTION" to the individuals responsible for selling Qwest International Long Distance Service. We fully understand and appreciate our obligations as a Qwest sales agent not to engage in or facilitate the practice of "slamming" customers. We understand that Qwest will not tolerate further occurrences of "slamming", and that Qwest will take whatever actions are necessary to protect against slamming including, without limitation, termination of the sales agent relationship and enforcement of all applicable legal rights and remedies.

Signature Of Representative

Date _____

Print Name

Business Phone Number _____

Print Name of Company

Channel Code _____

Organization Code _____

Please remit this form within fourteen days of receipt to: Qwest Communications Corporation., 4650 Lakehurst Court, Dublin, Ohio 43016, Attn: Legal Dept.
Signature Of Representative for _____

RESIDENTIAL DISTRIBUTOR PROGRAM AGREEMENT

It is agreed on this 21 day of NOVEMBER 19 96, by and between LCI International Telecom Corp. hereinafter ("LCI"), a Delaware Corporation with its principal place of business at 4650 Lakehurst Court, Dublin, Ohio 43016 and Campus Promotion Network, Inc. hereinafter ("Representative") whose address is 8205 South Cass Avenue, Darien, Illinois 60561.

1. Grant of Authority

a.) LCI appoints Representative as a non-exclusive representative in the territory set forth in Exhibit A to promote the sale of and solicit orders for the services defined in Exhibit A ("Services"), all subject to the terms and conditions of this Agreement. Representative agrees to use its best efforts in selling LCI's services to Customers, including having each Customer sign a Letter Of Agency ("LOA") as approved by LCI. LCI reserves the right to add to or delete from the Services as may be required from time to time. Such additions or deletions will be specified in writing by LCI. Tariffs relating to the Services and the LOA may be changed by LCI at its sole discretion.

b.) Notwithstanding the foregoing, Representative will only use those means of marketing and selling LCI services, provided under this Agreement, which are mutually acceptable to LCI and Representative and agreed to in writing. Representative agrees to submit any changes in the sales and marketing plan to LCI for written approval, prior to any implementation by Representative. Solicitation by direct mail, by telemarketing, sweepstakes, contests, or drawings is not permitted by Representative, its employees, agents, or contractors under this Agreement.

2. Commission

Representative shall receive commissions in accordance with the commission structure set forth in Exhibit B (attached), provided however, no commission shall be paid on existing LCI account conversions or new accounts that call LCI directly to subscribe to LCI services (other than inbound programs previously approved by LCI in writing).

3. Relationship

The parties agree and understand that Representative is an independent contractor and there is no employer-employee relationship, joint venture or agency created hereby. During the term of this Agreement and for thirty-six (36) months following the termination of this Agreement, Representative shall not, directly or indirectly, knowingly convert any LCI account to any other interlata telecommunications carrier. Representative has no authority to act for, or on behalf of, LCI. Representative is not authorized to incur any obligation on behalf of LCI or to bind LCI in any manner whatsoever. Representative will not make any representations of rates, terms or conditions of the Services that conflict with the applicable tariffs or information provided by LCI. LCI shall incur no obligation to employees, contractors or other parties utilized by Representative in selling services to customers for LCI. Such individuals shall at all times remain employees, agents or contractors of Representative. Representative is responsible for all expenses and obligations incurred by it as a result of its efforts to solicit customers for LCI. Representative shall be responsible for payment of all taxes due as a result of payments made to Representative by LCI. During the term of this Agreement Representative shall not solioit services on behalf of or represent any telecommunications services provider other than LCI.

4. Customer Service

a.) Representative shall not provide customer service to any customers solicited by Representative, including billing, collections or repair service. Customers attracted by Representative are customers of LCI and shall remain customers of LCI after termination of this Agreement.

b.) LCI shall provide initial training to a limited number of Representative's employees, staff and agents with the intent that said employees, staff and agents will train the remainder of the employees, staff and agents affiliated with Representative and all other training and support shall be at Representative's expense unless otherwise agreed in writing by the parties hereto. The number of persons to be trained by LCI as well as date and location of training shall be upon mutual agreement of parties. LCI, at its sole discretion, reserves the right to charge Representative for LCI providing training or support to employees, staff and agents if any of the same contact LCI directly to request product information, sales support, training, account status, commission information or other related matters. LCI may charge Representative for such support at a rate of \$45.00 per hour, billed to Representative. LCI will notify Representative, in writing, prior to the implementation of such billing. LCI will provide to the Representative, the name, telephone number, and nature of the request of employee, agent, or contractor for which any charge for the aforementioned support is incurred by the Representative.

5. Product Literature and Marketing

a.) LCI agrees to assist Representative in designing a master subscription form (LOA) for printing, to include specific language required for authorizing the change in a customer's Primary Interexchange Carrier (PIC) to LCI. Other sales materials may also be developed by and purchased from LCI by Representative at prices normally charged to LCI's residential distributors, representatives, and contractors. Representative, the Representative's agents, contractors or franchises shall not develop or use any other product literature other than that provided by LCI without the prior written consent of LCI. At least fifteen (15) days prior to any publication, Representative shall submit to LCI for approval, all materials to be used in advertising or promoting LCI services.

b.) From time to time, LCI may request that Representative act as a staffing agent for LCI sponsored events. If Representative agrees in writing to act as a staffing agency for such LCI sponsored events, LCI will be responsible for providing all sales and marketing materials at LCI's expense.

c.) For all events other than those described in Section 5.b.), Representative shall purchase or rent event support materials, such as tents, banners, table skirts, etc. and collateral marketing goods, such as shirts, hats, etc. from LCI or an event equipment rental firm, provided in all events, Representative shall use its best efforts to comply with LCI standards for the foregoing.

d.) Upon submission of valid invoices, LCI shall, on a monthly basis, reimburse Representative for event costs and/or premium costs associated with events at which LCI was primarily promoted, up to a maximum of Five Thousand Dollars (\$5,000.00) in any month.

6. Order Processing, Billing and Collection

a.) LCI shall have the sole right to accept or reject all orders, to fix the prices of the Services, the terms and conditions of the Service or other adjustments and to discontinue offering or selling any service, without liability to Representative. Representative agrees that all orders submitted to LCI are subject to verification and approval by LCI, at its sole discretion. Without limiting the foregoing, all orders submitted to LCI shall include the birth date and valid driver's license number of the customer.

b.) Representative shall obtain a signed PIC authorization (LOA), in a format approved by LCI, for each customer sold hereunder. If Representative submits service order information electronically to LCI then upon an oral or written request by LCI, Representative shall produce a copy of the LOA within forty-eight (48) hours for the customer telephone number requested. If Representative does not comply with the request for LOA, LCI reserves the right not to accept all additional service order information until Representative complies.

c.) Representative will safeguard against the submission of invalid PIC authorizations (LOAs). If LCI receives invalid LOAs totaling more than two percent (2%) of the total LOAs submitted by Representative in any month, then LCI may suspend accepting LOAs and/or service order information. The parties shall then work together to "cure" the problems giving rise to the invalid LOAs and LCI shall renew accepting orders when, in its good faith opinion, the problems are cured.

d.) In the event a local telephone company (LEC) or any regulatory entity assesses LCI any charges for improper or inadequate PIC authorizations relating to LCI services ordered through Representative due to the failure of Representative to produce a copy of the original signed LOA. Representative shall promptly reimburse LCI for all LEC or regulatory charges, plus an LCI management fee of twenty-five dollars (\$25.00) per customer telephone number ordered through Representative that is deemed to lack proper PIC authorization. Payment for said charges may be withheld from payable commissions.

e.) Upon the request of LCI, Representative will provide to LCI or the LEC, at Representative's expense, the actual signed LOA, or copy thereof required by the LEC regarding PIC selections or authorizations for customers sold hereunder. In addition, Representative shall promptly and in good faith cooperate with LCI and all LEC's in attempting to resolve all PIC selection and authorization disputes.

f.) Representative shall provide, at Representative's cost, a copy of "LCI's POLICIES AND PROCEDURES REGARDING SLAMMING PREVENTION" including an "Acknowledgment" form as set forth in Exhibit D, to all employees, agents, contractors, or independent distributors involved in the selling of LCI services. Representative shall have the employee, agent, contractor, or independent distributor review the aforementioned policy and return to the Representative a signed "Acknowledgment" form, indicating they understand and will comply with the LCI policy. Representative further agrees to produce a copy of the signed "Acknowledgment" form within forty-eight (48) hours, upon LCI's request, for any employee, agent, contractor, or independent distributor. If Representative does not comply with the request for providing a signed "Acknowledgment" form, then LCI may suspend accepting LOAs hereunder and/or service order information or terminate this Agreement immediately.

7. Confidentiality

All information disclosed by a party hereto to the other party pursuant to this Agreement, other than such information as may be generally available to the public or the industry, is and will be disclosed to it in confidence solely for its use in the performance of this Agreement. Each party agrees to keep such information secret and confidential indefinitely and not to disclose it to any other person or use it during the term of this Agreement or after its termination except in carrying out its obligations hereunder or in response to obligations imposed by tariff or order of a court or regulatory body. Neither party shall disclose the terms and conditions of this Agreement to any person or entity without the prior written consent of the other party. This provision shall survive the termination of this Agreement.

8. Representations, Warranties and Covenants

Representative represents, warrants and covenants to LCI that as of the date of this Agreement and continuing for the term of this Agreement that:

- a.) Representative is a (check one):
 Corporation
 Partnership
 Sole Proprietorship

duly organized, validly existing and in good standing under the laws of Illinois, with a Federal EIN of 36-3205389 and has full and unrestricted power and authority to execute and perform under this Agreement.

b.) 1.) Representative has obtained all licenses, permits and other authorizations necessary to perform its obligations under this Agreement and shall maintain same, as required, in full force and effect during the term of this Agreement. Representative shall comply with all applicable tariffs and orders of judicial and regulatory bodies and all local, state and federal laws.

b.) 2.) That neither the execution and delivery of this Agreement nor the sale of LCI services in accordance with the terms of this Agreement violates or will violate i) the provisions or obligations of any other agreement to which Representative is a party or by which it is bound, or ii) Representative's articles of incorporation, by-laws or similar corporate governance documents.

c.) Representative shall not participate in any pyramid or multilevel marketing system in conjunction with any person who has an agreement with LCI. Representative shall 1) appoint a single point of contact for LCI regarding all matters pertaining to this Agreement, 2) commit no act which would reflect unfavorably upon LCI.

d.) Representative shall not knowingly solicit any existing LCI customer not originally sold by Representative, for the purposes of selling, upgrading or converting such customer to LCI service. Representative shall not solicit any existing LCI customer for the purposes of converting such LCI customer to a competitor of LCI.

e.) Representative further realizes that LCI may be selling and marketing its "All America Plan" Affinity Program to a variety of organizations. Representative agrees to

identify to LCI all organizations it solicits or will solicit pursuant to this Agreement and agrees to not knowingly sell and/or market any similar affinity program to organizations who have a relationship with LCI or to organizations who have received verbal or written proposals from LCI regarding its "All America Plan" Affinity Program.

f.) Representative hereby represents and warrants that Representative is not subject to any consent decree, judgment, injunction, restraining order, settlement agreement, or agreement or order similar in nature relating to the conduct of its business.

g.) In addition to its obligations under this Section 8 of this Agreement, Representative hereby covenants and agrees that during the term of this Agreement that it will notify LCI in writing within three (3) business days of:

i.) Representative becoming aware of any investigation or threatened investigation of Representative's sales or marketing activities by any federal, state, or local governmental body or agency, or

ii.) Representative becoming subject to or entering into any consent decree, judgment, injunction, restraining order, settlement agreement or agreement or order relating to the conduct of its business.

h.) Notwithstanding anything in the Agreement to the contrary, it shall be a material breach of the Agreement, without regard to any cure rights hereof or otherwise, in the event Representative breaches any representation or warranty hereunder, or if Contractor breaches any obligations under Section 8 of the Agreement.

i.) LCI may, at its sole discretion, exercised in a commercially reasonable manner, suspend the acceptance of orders from Representative in any state where there is an investigation, or threatened investigation or decree as described in Section 8 following the receipt of any notice issued by Representative pursuant to Section 8. or if no notice is sent following LCI becoming aware of any such investigation or threatened investigation or decree.

LCI, at its sole discretion, exercised in a commercially reasonable manner, will determine if any order suspensions will be lifted.

9. Insurance

Representative shall secure and maintain Worker's Compensation Comprehensive General Liability and Automobile Insurance sufficient amounts to comply with law and to cover its respective obligations under this Agreement. Upon request, Representative shall furnish insurance certificates as evidence of such coverage.

10. Trademarks and Trade Names

Representative shall sell the services under the trademarks and trade names only as approved in writing in advance by LCI. Representative agrees to comply with any standards for usage of such trademarks and trade names issued or to be issued by LCI from time to time. Representative shall not use in its business or trade or corporate name the name "LCI" or any name of a service provided by LCI, or the LCI symbol or logo, nor shall it use any trademark, service mark or logo of LCI or symbol related to LCI without the prior, express written consent of LCI, unless advance provision to

do so is made in separate agreement between the parties. Without limiting the foregoing, Representative shall not, without LCI's prior written consent, advertise, market or provide information about LCI services or use LCI's trademarks, service marks, logos or other intellectual property, on the "Internet" or on any print or electronic media.

11. Term of Agreement and Termination

- a.) The initial term of this Agreement shall be six (6) years, and the Agreement shall be renewed thereafter automatically on a year-to-year basis, unless sooner terminated as hereinafter provided, subject to and upon the terms and conditions herein specified. Either party may terminate this Agreement at any time during a renewal term upon giving the other party thirty (30) days prior written notice.
- b.) LCI may cancel this Agreement upon written notice to Representative in the event of:
 - i.) Representative's failure to attain the monthly Revenue volume commitment level specified in Exhibit B.
 - ii.) Breach of any provision of this Agreement, except under Exhibit B, paragraph 4, by Representative following thirty (30) days written notice from LCI and a failure to cure any such breach in such thirty (30) day period, or such longer time as reasonably necessary to cure such breach provided the breach can be cured and provided that Representative diligently proceeds with cure, or engages in any activity relating to fraud against LCI.
 - iii.) Insolvency, bankruptcy, receivership or dissolution of Representative.
 - iv.) Representative's assignment of the Agreement without LCI's prior written consent which shall not be unreasonably withheld, or any significant change in Representative's ownership or management without LCI's prior written consent, which shall not be unreasonably withheld, unless the change in ownership or assignment occurs due to death or disability and ownership and assignment moves to a family member.

No commission shall be payable following any termination pursuant to Section 11.B ii, iii or iv.

- c.) Representative may terminate this Agreement in the event of any breach by LCI of any provision of the Agreement following thirty (30) days written notice from Representative and a failure to cure such breach in such thirty (30) day period, or such longer time as reasonably necessary to cure such breach provided the breach can be cured and provided that LCI diligently proceeds with cure, or if LCI engages in any activity relating to fraud against Representative

All notices under this Agreement, whether addressed to LCI or Representative, shall be sent by Certified Mail, Return Receipt Requested.

If to LCI: LCI International Telecom Corp.
4650 Lakehurst Court
Dublin, Ohio 43016-3254

ATTN: General Counsel

If to Representative: Campus Promotion Network, Inc.
8205 South Cass Avenue
Darien, Illinois 60561
ATTN: Thomas E. Clendining, Jr.

12. Indemnification

Each party shall indemnify, defend and hold the other party (and all officers, directors, employees, agents and affiliates thereof) harmless from and against any and all claims, demands, actions, losses, damages, assessments, charges, liabilities, costs and expenses (including without limitation interest, penalties, and attorney's fees and disbursements) which may at any time be suffered or incurred by, or be asserted against, any or all of them, directly or indirectly, on account of or in connection with:

- a.) Any default under any provision herein, breach of any warranty or representation herein, or failure in any way to perform any obligation hereunder; or
- b.) Bodily injury or damage to property (including death) to any person (including without limitation any employee of either party and any third person), and any damage to or loss of use of any property, arising out of or in any way relating to the services or pursuant, directly or indirectly, to this Agreement.

Each party shall hold harmless and indemnify the other party from and against any claim, cause of action, judgment, liability or expense relating to or arising out of the acts or omissions of the indemnifying party's employees, contractors and agents.

13. Liability

Other than liability relating to the obligations under Section 8.d. and the second sentence of Section 3, in no event shall either party be liable for special, indirect, incidental, or consequential damages, including loss of profits, arising from the relationship or the conduct of business contemplated herein.

14. Miscellaneous

Representative shall not assign this Agreement or any interest therein without LCI's prior written consent, which shall not be unreasonably withheld. The terms of this Agreement shall be governed by and construed in accordance with the laws of New York. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Provisions of this Agreement identified by the context to survive the termination or expiration of this Agreement shall so survive. This Agreement (including any Exhibits hereto) constitutes the entire Agreement between the parties hereto with respect to the subject matter hereof, and it supersedes all prior oral or written agreements, commitments or understandings, with respect to the matters provided for herein, provided however, the Residential Distributor Program Agreements between the parties hereto dated April 23, 1996, and October 24, 1995 ("Previous Agreements"), shall remain in full force and effect, it being understood however, that no new orders for LCI Services shall be submitted under the Previous Agreements. It is also understood by the parties hereto that Collected Revenue under the Previous Agreements shall not be aggregated with Collected Revenue hereunder for any purpose.

15. This Agreement shall become effective only upon approval and signature of an officer of LCI.

IN WITNESS WHEREOF, the parties have executed this Agreement intending to be legally bound.

LCI International Telecom Corp.

By: _____

Title: _____

Date: _____

Campus Promotion Network, Inc.

By: _____

Title: _____

Date: _____

EXHIBIT A

- I. Representative's nonexclusive territory shall be the contiguous forty-eight states of the Continental U.S. (excluding exchanges of members of the National Exchange Carrier Association, commonly known as "NECA", and the United States Independent Telephone Company organization, commonly known as "USINTELCO").

- II. Services:
 1. All America Plan, - per LCI Tariffs
 2. WorldCard Plus - per LCI Tariffs
 3. Home 800 - per LCI Tariffs
 4. Residential International - per LCI Tariffs
 5. Residential Extend Your Reach - per LCI Tariffs

- III. All services and rates will be provided in accordance with LCI's tariffs and are subject to change. Day, Evening and Night/Weekend periods are as defined in LCI's tariffs.

COMMISSIONS1. Installation Commission

During the term of this Agreement, LCI shall pay Representative Twelve Dollars (\$12.00) for each newly installed LCI Dial-1 subscriber in the Territory upon said subscriber's first usage, provided said usage is within one hundred twenty (120) days from installation ("Installation Commission(s)"). "First usage" shall be defined as any activity on either LCI's All America Plan or connected WorldCard Plus. Neither Installation Commissions nor Usage Commissions shall be paid on LOA's submitted from customers who are existing LCI customers or for stand alone World Card Plus or Home 800 accounts. LCI shall not pay Installation Commissions or Usage Commissions for upgrades for service, and shall not pay more than one Installation Commission on the sale of any particular ANI during the term of this Agreement. If in any month disconnects of ANI's sold by Representative meet or exceed 15% of the total ANI's sold by Representative hereunder in that month ("Disconnect Percentage"), and following written notice from LCI and sixty (60) days to cure, the Disconnect Percentage has not been reduced, LCI may, at its sole discretion, suspend accepting new orders hereunder. The parties shall then work together to "cure" the problems and LCI shall renew accepting orders when in its good faith opinion the problems are cured. LCI may change the Disconnect Percentage up to two (2) times in any twelve (12) month period upon thirty (30) days prior written notice to Representative. Representative may terminate this Agreement without penalty should it, in its good faith judgment, decide that the Disconnect Percentage is too low for profitable operations.

2. Usage Commission

LCI shall pay Representative a commission on "Collected Revenue" for sales of the Services in the Territory pursuant to this Agreement, including Paragraph 1 in Exhibit B ("Usage Commission(s)") as follows:

<u>Commissions</u>	<u>Collected Revenue *</u>
0.0%	\$0 - \$10,000
2.5%	\$10,001 - \$100,000
3.5%	\$100,001 - \$500,000
4.5%	\$500,001 - \$750,000
5.5%	\$750,001 - \$1,000,000
6.5%	\$1,000,001 - \$1,500,000
7.5%	\$1,500,001 - \$2,250,000
8.5%	\$2,250,001 - \$3,000,000
9.5%	\$3,000,001 +

*Commission percentages are applied back to the first dollar.

"Collected Revenue" is defined as interexchange toll actually collected by LCI relating to the Services sold by Representative (excluding taxes, installation charges, subscription fees, and local loops). Usage Commissions shall be payable only during the term of this Agreement and a maximum of thirty-six (36) months following termination provided that this Agreement is terminated pursuant to Section 11.a., by LCI pursuant to Section 11.b.i. or by Representative pursuant to Section 11.c. No Usage Commission shall be payable following any termination pursuant to Section 11.b. ii, iii or iv hereof.

- 2.a. LCI, at its sole option, may pay Usage Commissions based on billed revenue less a percentage related to estimated uncollectables and LEC holdbacks ("Percent") as opposed to actual collected revenue, which Percent is currently seven percent (7%) (hereinafter "Billed Revenue"). For example, if the amount billed for LCI service is \$100 and the commission rate is 5%, then the commission paid hereunder would be \$4.65 ($\$100 - (7\% \times \$100) \times 5\% = 4.65$). LCI may change the Percent up to two (2) times in any twelve (12) month period upon thirty (30) days prior written notice to Representative.
- 2.b. In the event LCI pays commission based on Billed Revenue, LCI may periodically perform a "true up" covering a period not to exceed one hundred eighty (180) days to compare collected revenue to Billed Revenue and "charge back" or pay Representative the difference between commissions paid on Billed Revenue and what would have been paid on actual collected revenue. The last month's payment of commissions hereunder may be withheld no more than three (3) months so that the final "true up" may be performed. LCI reserves the right to set off from commissions any amount due to LCI by Representative under this Agreement or otherwise.
- 2.c. Representative shall have a target of fifteen thousand (15,000) valid orders per month starting January 1, 1997.

3. **Payment of Commissions**

Installation Commissions will be paid by LCI approximately forty-five (45) days following the end of the month first usage occurred, as long as first usage occurs no later than one hundred twenty (120) days after install by LCI. Usage Commissions will be paid by LCI approximately forty-five (45) days following the end of the month in which the Collected Revenue is collected.

4. **Revenue Volume Commitments**

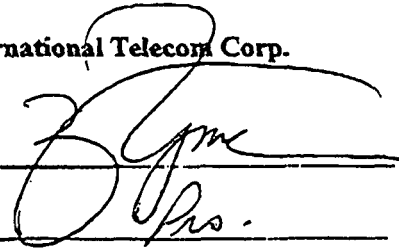
Representative shall generate and maintain the following monthly Collected Revenue within the time frames indicated:

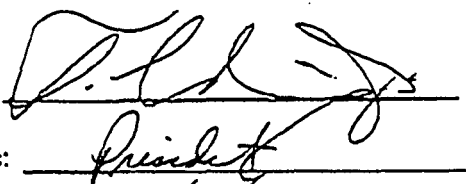
Monthly Collected Revenue Thresholds	Time Period From Date of Agreement
\$500,000	12 Months
\$1,000,000	24 Months
\$1,500,000	36 Months

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

LCI International Telecom Corp.

Campus Promotion Network, Inc.

By: 
 Title: Pres.
 Date: 11/21/96

By: 
 Title: President
 Date: 11/13/96

"LCI'S POLICIES AND PROCEDURES REGARDING SLAMMING PREVENTION"

ADVISORY TO ALL REPRESENTATIVES SELLING LCI INTERNATIONAL LONG DISTANCE SERVICES:

All Representatives/Distributors selling LCI International Telecom Corporation's (LCI) long distance service must carefully read the contents of this document. It will explain LCI's policies and procedures for the sale of LCI long distance services. The purpose of this document is to explain what can cause unauthorized switching of a customer, the importance of preventing such switching, and the seriousness of the matter to LCI, its authorized Representatives, and their independent distributors. This document includes an "Acknowledgment" that must be read, signed, and returned to the Representative/Distributor by each individual selling LCI services. Representatives/Distributors must make a signed copy of this document available to LCI, upon request.

A. COMMON CAUSES OF SLAMMING:

- Incorrect telephone number on submitted LOAs - means that incorrect telephone number is switched without the customer's written consent.
- The submitted LOA is illegible and directly causes the person that keys the order into the system to enter the wrong name and/or phone number.
- The person who "authorized" switching carriers really didn't have the authority to make the switch. Sometimes receptionists, secretaries or assistants authorize a switch to qualify for some sort of premium or other inducement.
- A simple misunderstanding when one partner doesn't tell the other partner or accounts payable personnel about selecting a new long distance service. This is especially true when it is the other person who reviews or pays the bills. The bill-paying partner or accounts payable representative sees a new long distance carrier name and thinks something is wrong. Please ask your customers to inform the appropriate persons within the company about changing long distance carriers.
- Signing someone up just to "get the sale" or reach a qualification or commission level.
- Signing someone up, without the customer's knowledge, as a result of spending a lot of time with a company decision-maker and assuming that the person would be satisfied with LCI service for the company.

B. EFFECTS OF SLAMMING:

- It is illegal and will not be tolerated by LCI!
- Creates a bad image and adversely affects LCI's and the Sales Agent/Distributor's reputation.
- Takes time to investigate and correct.
- If we can get information verified (correct), it will save on:
 1. Order rejects
 2. Returned mail
 3. Time to process valid and accurate orders.
- Frustrating experience for the company that was slammed.
- Usually the local telephone company levies a charge to make the initial switch to LCI and then charges again to switch the affected customer back to the original long distance company. LCI and then the distributor and its sales agents are billed for these costs. These LCI charges will probably be billed by

distributors to their sales agent. This leads to serious consequences for the agent, including termination of the sales agent relationship with LCI.

LCI AS WELL AS FEDERAL, STATE, AND LOCAL REGULATORY AGENCIES VIEW "SLAMMING" AS A VERY SERIOUS PROBLEM. THE FCC CAN IMPOSE SIGNIFICANT FINES ON A PER VIOLATION BASIS.

C. HOW CAN A REPRESENTATIVE/DISTRIBUTOR PROTECT AGAINST SLAMMING:

- You are strongly encouraged to verify information against each new customer's actual telephone bill for each LOA.
- The person signing the LOA should be a person with authority to act on behalf of the company. It is essential that the person signing the LOA has authority to change long distance carriers. *Note that receptionists, secretaries and assistants typically do not have the authority to change long distance carriers for the company.* If the person signing the LOA is different from the person with the actual authority to do so, you should attempt to contact the other person. While this policy might jeopardize some sales orders, it should give you a chance to retain sales by demonstrating your concern and professionalism.
- Take your time. Review the LOA for accuracy and legibility, especially the telephone number. Confirm the person's telephone number.
- NEVER sign someone else's name on an LOA or any other document!
- Don't force a sale that is not there.

**TRADEMARK AND SERVICE MARK
LICENSE AGREEMENT**

This Trademark and Service Mark License Agreement is effective the 20th day of AUGUST, 1997, by and between LCI INTERNATIONAL TELECOM CORP., a Delaware corporation, with offices located at 8180 Greensboro Dr., Ste. 800 McLean, Virginia 22102 ("LCI"), and Campus Promotion Network, Inc., a corporation organized under the laws of the State of ILLINOIS, with its principal office located at 8205 SO. CAS AVE. DARIEN, IL. 60561 ("Distributor").

WITNESSETH:

WHEREAS, LCI desires to permit distributors to utilize selected marks in specified formats and circumstances to promote LCI services and products; and

WHEREAS, LCI has developed a policy and a license in order to provide specific rules surrounding the consent for Distributors to use LCI's marks; and

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and conditions, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do agree as follows:

1. LCI hereby grants to Distributor, and Distributor hereby accepts, the non-exclusive, non-transferrable, terminable right to utilize the mark(s) listed on Attachment A hereto, as such list may be amended by LCI in its sole discretion (collectively referred to as the "LCI Marks") for the specific purposes described herein and subject to the terms, conditions and restrictions set forth in this Agreement and Attachment A, as such may be amended by LCI from time to time. Distributor hereby acknowledges and agrees that the LCI Marks constitute the valuable business property of LCI, and Distributor shall acquire no right, title or interest in or to the LCI Marks, except as specifically provided in this Agreement. Distributor shall not register, or attempt to register, the LCI Marks nor any other marks which are similar phonetically or in appearance, in any jurisdiction anywhere in the world nor challenge the validity of LCI's exclusive rights in the LCI Marks. Distributor further acknowledges and agrees that any misappropriation, infringement or misuse of the LCI Marks will subject LCI to irreparable injury, and LCI shall, therefore, be entitled to preliminary and permanent injunctive relief, as provided under applicable law, to prevent any such misappropriation, infringement or misuse of the LCI Marks by Distributor.

2. It is expressly agreed that the license under this Agreement only permits Distributor to use of the LCI Marks as follows: (a) in the specific format in which the LCI Mark is contained in Attachment A; (b) only in conjunction with the marketing of LCI services and products and not in conjunction with the marketing of any non-LCI services or products including without limitation competitors' services and products and not in conjunction with any public policy, political, partisan, or religious statements.

3. Distributor's rights described herein with respect to the use of the LCI Marks, as provided in this Agreement shall terminate immediately upon the occurrence of any of the following events: (a) Distributor files, or is subject to the filing of, a bankruptcy petition, becomes insolvent, goes into liquidation, ceases to carry on its business, is unable to pay its debts as they come due, makes an assignment for the benefit of creditors, or suffers the appointment of a receiver or trustee over all or substantially all of its assets; or (b) upon the occurrence of any breach or default by Distributor of any obligation under this Agreement; or (c) at LCI's discretion, upon ten (10) days written notice. In the event of termination of this Agreement for any reason whatsoever, Distributor shall immediately cease using the LCI Marks for any purpose whatsoever, and, thereafter, Distributor will not use the LCI Marks, or any similar or related marks, either alone or in combination with any other marks, name or names, for any purpose whatsoever.

4. At LCI's request, Distributor shall provide LCI, as the case may be, with samples of all literature, packages, correspondence, labels, and labeling using the LCI Marks.

5. In order to enable LCI to maintain control over the nature and quality of any products or services being offered under or bearing the LCI Marks, or advertising, promotional activities or other services or activities in connection with which Distributor uses the LCI Marks, as permitted herein, and for the protection of the public and the preservation of LCI's rights, LCI shall have the right to examine and approve all such products and services and activities, and require Distributor to conduct its business activities in a fair and ethical manner, reflecting favorably upon the materials marketed by the Distributor to LCI and the reputation, goodwill, image and credibility of LCI. LCI shall also have the right to examine and approve the manner in which Distributor uses the LCI Marks to insure proper usage of the LCI Marks by Distributor. When using any LCI Mark under this Agreement, Distributor undertakes to comply with all laws pertaining to

**AMENDMENT NO. 1 TO
RESIDENTIAL DISTRIBUTOR PROGRAM AGREEMENT**

THIS AMENDMENT NO. 1 (the "Amendment No. 1") to the Residential Distributor Program Agreement dated November 21, 1996, as amended ("Agreement"), is made and entered into as of the date set forth below, by and between LCI International Telecom Corp. ("LCI") and Campus Promotion Network, Inc. ("Distributor").

1. AMENDMENT TO THE AGREEMENT. The Agreement is hereby amended as follows:

A. Change paragraph d.), Section 5. Product Literature and Marketing, relating to event cost and/or premium cost to read as follows:

Upon submission of valid invoices, LCI shall, on a monthly basis, reimburse Representative for street program cost and/or premium cost associated with the street program, up to a maximum of Five Thousand Dollars (\$5,000.00) in any month.

In addition, LCI, at its sole discretion, will provide, at its own expense, banners, table covers, and similar items, in order to meet LCI image standards

B. The first two sentences in Exhibit B, 1. Installation Commission shall be changed to read as follows.

During the term of this Agreement, LCI shall pay Representative Fifteen Dollars (\$15.00) for each newly installed LCI Dial-1 subscriber in the Territory upon said subscriber's first usage, provided said usage is within one hundred twenty (120) days from installation ("Installation Commission(s)"). "First Usage shall be defined as any Dial-1 activity on either LCI's "All America Plan" or LCI's "Difference Plan".

C. The first paragraph and commission matrix in Exhibit B, 2. Usage Commission shall be changed to read as follows.

LCI shall pay Representative a seven and one-half percent (7.5%) commission on "Collected Revenue" for sales of the Services in the Territory pursuant to this Agreement ("Usage Commission(s)"). "Collected Revenue" is defined as interexchange toll actually collected by LCI relating to the Services sold by Representative (excluding taxes, installation charges, subscription fees, and local loops). Usage Commissions shall be payable only during the term of this Agreement and a maximum of thirty-six (36) months

following termination provided that this Agreement is terminated pursuant to Section 11.a., by LCI pursuant to Section 11.b.i.) or by Representative pursuant to Section 11.c. No Usage Commission shall be payable following any termination pursuant to Section 11.b.ii, iii, or iv. hereof

D. Exhibit B, Section 4. Revenue Volume Commitments; matrix should read as follows:

Monthly Collected Revenue Thresholds	Time Period From Date of Amendment No. 1
\$800,000	6 months
\$1,100,000	12 months
\$1,500,000	24 months
\$1,800,000	36 months

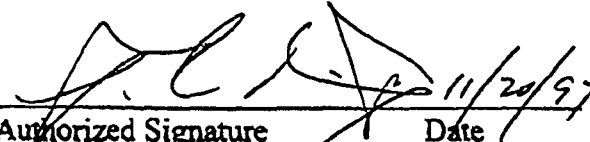
2. EFFECT OF AMENDMENT. Except as expressly set forth hereinabove, the Agreement shall be and remain in full force and effect as originally written, and shall constitute the legal, valid, binding and enforceable obligations of LCI and Distributor.

3. EFFECTIVE DATE. The Amendment shall be effective as of the date this Amendment is executed by LCI ("Effective Date"). Usage Commissions shall be effective with September 1997 monthly Revenue.

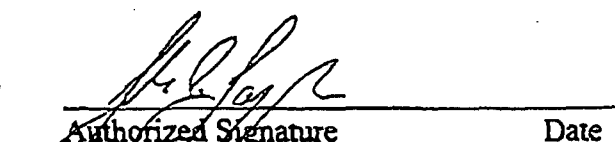
AGREED TO AND ACCEPTED BY:

Campus Promotion Network, Inc.

LCI International Telecom Corp.



 Authorized Signature Date



 Authorized Signature Date

T. C. CENDRIANO, JR.

 Print Name and Title

 Print Name and Title

LCI'S POLICIES AND PROCEDURES REGARDING SLAMMING PREVENTION

ADVISORY TO ALL REPRESENTATIVES SELLING LCI INTERNATIONAL LONG DISTANCE SERVICES:

All sales agents/distributors selling LCI International Telecom Corporation's (LCI) long distance service must carefully read the contents of this document. It will explain LCI's policies and procedures for the sale of LCI long distance services. The purpose of this document is to explain what can cause unauthorized switching of a customer, the importance of preventing such switching, and the seriousness of the matter to LCI, its authorized sales agents, and their independent distributors. This document includes an "Acknowledgment" that must be read, signed, and returned to the Sales Agent by each individual selling LCI services. Sales agents/distributors must make a signed copy of this document available to LCI, upon request.

A. COMMON CAUSES OF SLAMMING:

- Incorrect telephone number on submitted LOAs - means that incorrect telephone number is switched without the customer's written consent. To make matters worse, the customer who did want LCI service did not get switched to LCI.
- The submitted LOA is illegible and directly causes the person that keys the order into the system to enter the wrong name and/or phone number.
- The person who "authorized" switching carriers really didn't have the authority to make the switch. Sometimes children or relatives authorize a switch to qualify for some sort of premium or other inducement.
- A simple misunderstanding when one spouse or roommate doesn't tell the other spouse or roommate about selecting a new long distance service. This is especially true when it is the other person who pays the bills. The bill-paying spouse or roommate sees a new long distance carrier name and thinks something is wrong. Please ask your customers to inform their spouses and/or roommates about changing long distance carriers.
- Signing up one roommate when the telephone number is in the name of another roommate. By the time the switch is completed, the roommates have often parted ways. The person receiving the bill notices the change and alleges a slam has occurred. Be sure the roommate requesting service has the authority to do so.
- Someone may sign up an elderly parent without prior consent from the parent.
- Signing someone up just to "get the sale" or reach a qualification or commission level.
- Signing someone up, without the customer's knowledge, as a result of spending a lot of time with that individual and assuming that the person would be satisfied with LCI service.

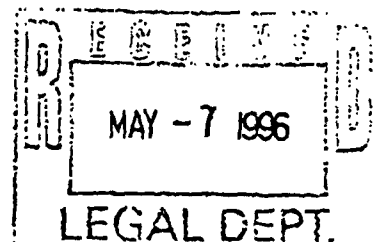
B. EFFECTS OF SLAMMING:

- It is illegal and will not be tolerated by LCI!
- Creates a bad image and adversely affects LCI's and the sales agent's/distributor's reputation.
- Takes time to investigate and correct.
- If we can get information verified (correct), it will save on:
 1. Order rejects
 2. Returned mail
 3. Time to process valid and accurate orders.
- Frustrating experience for individual who was slammed.
- Usually the local telephone company levies a charge to make the initial switch to LCI and then charges again to switch the affected customer back to the original long distance company. LCI and then the distributor and its sales agents are billed for these costs. These LCI charges will probably be billed by distributors to their sales agent. This leads to serious consequences for the agent, including termination of the sales agent relationship with LCI.

LCI AS WELL AS FEDERAL, STATE, AND LOCAL REGULATORY AGENCIES VIEW "SLAMMING" AS A VERY SERIOUS PROBLEM. THE FCC CAN IMPOSE SIGNIFICANT FINES ON A PER VIOLATION BASIS.

C. HOW CAN A SALES AGENT PROTECT AGAINST SLAMMING:

- You are strongly encouraged to verify information against each new customer's actual telephone bill for each LOA.
- The person signing the LOA should be the same person whose name appears on the telephone bill. If not, it is essential that the person signing the LOA has authority to change long distance carriers. *Note that children and roommates typically do not have the authority to change long distance carriers for the parent/roommate whose name appears on the telephone bill.* Unless it is a situation where one spouse is signing on behalf of another spouse, if the person signing the LOA is different from the person whose name appears on the telephone bill, you should attempt to contact the other person. While this policy might jeopardize some sales orders, it should give you a chance to retain sales by demonstrating your concern and professionalism.
- Take your time. Review the LOA for accuracy and legibility, especially the telephone number. Confirm the person's telephone number - you would be surprised at the number of people that give out the wrong telephone number.
- NEVER sign someone else's name on an LOA or any other document!
- Don't force a sale that is not there.



ACKNOWLEDGMENT BY SALES AGENT

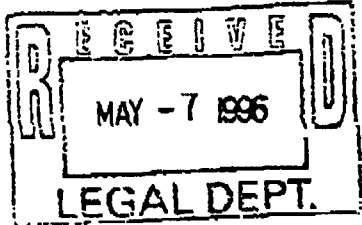
This will verify that, on behalf of Campus Promotion Network, Inc. I have received, read, and understand the document entitled "LCI'S POLICIES AND PROCEDURES REGARDING SLAMMING PREVENTION" ("LCI Document"). Furthermore, I agree to distribute the LCI Document to the individuals responsible for selling LCI International long distance service. We fully understand and appreciate our obligations as an LCI sales agent not to engage in or facilitate the practice of "slamming" customers. We understand that LCI will not tolerate further occurrences of "slamming", and that LCI will take whatever actions are necessary to protect against slamming including, without limitation, termination of the sales agent relationship and enforcement of all applicable legal rights and remedies.

[Signature] _____ 4/25/96
Signature of Representative for Campus Promotion Network, Inc. Date

T. CLENDINING, JR. _____ 708-271-3100 x 201
Printed Name Business phone number

CAMPUS PROMOTION NETWORK, INC.
Print Name of Company

CPN _____ VARIOUS
Channel code Organization code



Please remit this form within fourteen days of receipt to: LCI International, Inc., 4650 Lakehurst Court, Dublin, Ohio 43016, Attn: Sherri Rounsbaum, Legal Dept.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

August 12, 1999

Carol P. Kuhnow
Tariffs & Regulatory Affairs
Qwest Communications Corporation
4250 N. Fairfax Drive
Arlington, VA. 22203

RE: Case No. 99-326

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

CT Corporation Systems
 Agent: Qwest Communications
 239 South Fifth Street
 Ky Home Life Building
 Louisville, KY 40202
 O CORPORATION

4a. Article Number
 P 536 201 320

4b. Service Type

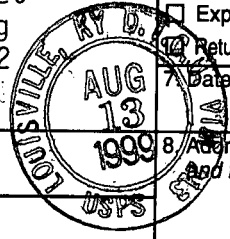
Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 8-13-99

5. Received By: (Print Name)
 AUG 13 1999

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X



Thank you for using Return Receipt Service.

PS Form 3811, December 1994 Domestic Return Receipt

P 536 201 329

P 536 201 320

US Postal Service
 Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to	Qwest Communications Corp
Street & Number	Attn: Bernie Bianchino
Post Office, State, & ZIP Code	Exec VP 4250 North Fairfax Drive Arlington, VA 22203
Postage	\$ 1.55
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	1.25
TOTAL Postage & Fees	\$ 3.20
Postmark or Date	Case No. 99-326

US Postal Service
 Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to	CT Corporation Systems
Street & Number	Agent: Qwest Communications
Post Office, State, & ZIP Code	239 South Fifth Street Ky Home Life Building Louisville, KY 40202
Postage	\$.77
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	1.25
TOTAL Postage & Fees	\$ 3.42
Postmark or Date	Case No. 99-326

PS Form 3800 April 1995

PS Form 3800 April 1995

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

QWEST COMMUNICATIONS CORPORATION)	
)	
<u>ALLEGED VIOLATION(S) OF KRS 278.535</u>)	CASE NO. 99-326
SWITCHING OF TELECOMMUNICATIONS)	
PROVIDER)	

O R D E R

Qwest Communications Corporation ("Qwest") is a communications provider as defined in KRS 278.535(1)(a), is authorized to do business in Kentucky, and is subject to the Commission's jurisdiction. By Commission Order dated December 28, 1994, Qwest, formerly known as Southern Pacific Communications Company, was issued a certificate of convenience and necessity to provide telecommunication services in Kentucky. Qwest's schedule of rates and services (tariff) became effective on January 18, 1995. Records of the Office of Secretary of State of the Commonwealth of Kentucky reflect that Qwest, identification number 0334831, has been authorized to do business in the state of Kentucky since on or about August 23, 1994, and thereafter followed by the above-named Order. Said records state that the registered agent for Qwest is CT Corporation Systems, 239 South Fifth Street, Kentucky Home Life Building, Louisville, Kentucky 40202, and that Joseph P. Nacchio is president and Drake S. Tempiest is secretary, with principal offices at 555 17th Street, Suite 1000, Denver, Colorado 80202. Commission Staff has records reflecting that the principal place of business listed above is correct, but that Bernie Bianchino is executive vice president

and that Qwest maintains other offices at 4250 North Fairfax Drive, Arlington, Virginia 22203.

KRS 278.535(7) prescribes specific statutory procedures for the proper changing of the primary telecommunications carrier of a customer.

1. On or about February 7, 1999, Ruth Troxtell reported by telephone to Commission Staff that the long-distance carrier for the business of Lookout Marine Sales was switched from AT&T to Qwest. The phone number for Lookout Marine Sales is 606/561-5904. This change was made without authority or permission.

2. By letter dated February 11, 1999, Qwest was notified of the complaint received by Commission Staff from Ms. Troxtell on behalf of Lookout Marine Sales. A carrier change was made in the business service by or on behalf of Qwest that was unauthorized. The letter requested that Qwest provide to Commission Staff appropriate evidence that the carrier change was authorized. KRS 278.535(2) places the burden of proof on Qwest to show that the business phone at Lookout Marine Sales (606/561-5904) was switched with the appropriate authority. Qwest was unable to provide the requisite statutory proof that the carrier change was properly authorized. A copy of said letter is attached hereto and marked Appendix 1.

3. On or about March 3, 1999, Qwest was given a second notification by Commission Staff. Qwest was unable to provide the requisite statutory proof that the change in service at the business aforementioned was properly authorized. A copy of said letter is attached hereto and marked Appendix 2.

4. Commission Staff, after investigation, has been unable to secure or obtain any written authorization or electronically recorded authorization of the owners and operators of the business that properly authorized the carrier change.

The Commission, based upon the foregoing facts, finds sufficient evidence to believe that Qwest has violated KRS 278.535.

The Commission, on its own motion, HEREBY ORDERS that:

1. Qwest shall submit to the Commission within 20 days of the date of receipt of this Order a response to the allegations contained herein.

2. Qwest shall appear on November 9, 1999 at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky for the purpose of presenting evidence regarding the alleged violation of KRS 278.535, and showing cause, if any, why it should not be subject to the penalties prescribed in KRS 278.535(6).

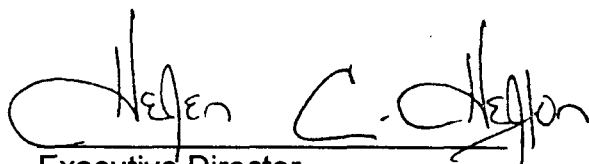
3. The letters attached hereto and marked Appendix 1 and Appendix 2 are made a part of the record herein.

4. Any request for informal conference with Commission Staff to consider any matter which would expedite the handling or disposition of this proceeding shall be filed with the Commission no later than 20 days from the date of receipt of this Order.

Done at Frankfort, Kentucky, this 12th day of August, 1999.

By the Commission

ATTEST:

A handwritten signature in cursive script that reads "Helen C. Shelton". The signature is written in black ink and is positioned above a horizontal line.

Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
(502) 564-3940

February 11, 1999

Bernie Bianchino
Qwest Communications Corporation
555 17th Street, #1000
Denver, CO 80202

RE: File No. 199900504 – Ruth and Jimmy Troxtell

Dear Mr. Bianchino:

The Kentucky Public Service Commission has received an informal complaint from Ruth and Jimmy Troxtell of Burnside, Kentucky, alleging that your company changed their long distance telephone service provider without permission. This matter is currently being investigated by Commission staff, who would like to give you the opportunity to respond to this complaint.

Pursuant to KRS 278.535, a customer's telecommunications provider may not be switched to another provider without the customer's signed letter of agency or the electronically recorded authorization of the customer. Under either method, the authorization must indicate that the customer knowingly approved the specific details of the switch. The statute also states that the burden of proof to show that the customer knowingly authorized the change is placed upon the provider who claims to have obtained customer authorization for the switch. Your utility is, therefore, requested to provide appropriate proof of the customer's authorization in accordance with one of the following three (3) verification procedures prescribed in 807 KAR 5:062, Section 2:

- 1) A letter of agency from the customer that:
 - a) authorizes the change;
 - b) demonstrates that the customer understands what occurs when a PIC is changed;
 - c) states the customer's billing name and address and each telephone number to be covered by the PIC change order;
 - d) demonstrates that the customer understands the PIC change fee;
 - e) if the PIC change order applies to a number in an area with a Two-PIC system, clearly states whether the customer has authorized the change of his intraLATA PIC, his interLATA PIC, or both; or

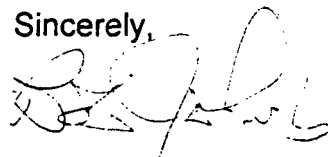
- 2) The IXC has obtained the customer's electronic authorization, placed from a telephone number on which the customer's PIC is to be changed, to submit a PIC change order. The electronic authorization shall include the information described in subsection (1)(a)-(e) of this section. IXCs electing to confirm sales electronically shall establish one or more toll-free telephone numbers exclusively for that purpose. A call to the number(s) will connect a customer to a voice response unit, or similar mechanism, that records the required information and automatically records the originating number; or
- 3) An appropriately qualified and independent third party operating in a location physically separate from the IXC's telemarketing representative has obtained the customer's electronic authorization to submit the PIC change order. The electronic authorization shall include the information described in subsection (1)(a)-(e) of this section and appropriate verification data such as the customer's date of birth or social security number.

Please provide a written response to the complainant's allegation along with a description of the verification method used by your company to complete the PIC change. Also provide the appropriate evidence of the authorization such as a signed letter of agency or voice recording of the customer's electronic authorization. We would appreciate receiving your response to this informal complaint no later than March 3, 1999. If you do not respond, the matter may be referred to the Commission for formal resolution.

The Commission considers any violation of KRS 278.535 to be serious and will consider taking appropriate action against a long distance carrier found to have unlawfully "slammed" a customer. KRS 278.535 authorizes the Commission to suspend, restrict, or revoke the certificate of a telecommunications provider to provide service in Kentucky and impose a civil penalty of up to ten thousand dollars (\$10,000) for each violation of the statute.

Your company's cooperation in this matter is greatly appreciated. We look forward to receiving your timely response.

Sincerely,



Bob Johnston, Director
Consumer Services Division



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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Paul E. Patton
Governor

Laura Douglas, Secretary
Public Protection and
Regulation Cabinet

March 3, 1999

Mr. Bernie Bianchino
Qwest Communications Corporation
555 17th Street, #1000
Denver, CO 80202

Re: File No. 199900504 – Ruth and Jimmy Troxtell
606-561-5904

Dear Mr. Bianchino:

By letter dated February 11, 1999, the Commission requested your utility to provide certain information regarding the above referenced slamming complaint. Specifically, the company was directed to provide a written response to the complainant's allegation along with a description of the verification method used to complete the change of service. The company was also asked to provide appropriate evidence of the authorization such as a signed letter of agency or voice recording of the customer's electronic authorization in accordance with KRS 278.535 and 807 KAR 5:062, Section 2. Commission records indicate that, as of the date of this letter, your utility has not responded to the Commission's request.

Please be advised that, if your utility has not responded within 10 days of the date of this letter, the Commission may initiate appropriate administrative action in accordance with KRS 278.535. For your reference, a copy of KRS 278.535 is enclosed.

Any questions regarding this letter should be directed to Bob Johnston, Director of the Consumer Services Division, at (502) 564-3940, Extension 403.

Sincerely,

Bob Johnston, Director
Consumer Services Division

Enclosure



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APPENDIX 2