COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF BELLSOUTH TELECOMMUNICATIONS, INC. FOR THE ESTABLISHMENT OF A NEW PERFORMANCE PLAN	))))	CASE NO. 2004-00391

<u>RESPONSE OF BELLSOUTH TELECOMMUNICATIONS, INC. TO INFORMAL CONFERENCE STAFF REQUEST</u>

As the Commission's January 31, 2005 Informal Conference Memorandum states, BellSouth was requested to provide a comparison in the trends, and identify and remove any major anomalies that existed, between the 88% and the 89% performance listed by BellSouth from one year to the next. This request references the difference in SEEM payments in Kentucky and Georgia for the years of 2002 and 2004. Attachment One to this document shows graphically, when the anomalies are removed, the overall trends in SEEM penalties.

<u>Kentucky</u>

In 2002, a total of $3.3 million was paid by BellSouth in Kentucky for Tier 1 and Tier 2 SEEM penalties. In 2004, BellSouth paid $838,000 for Tier 1 and Tier 2 SEEM penalties in Kentucky. Therefore, between 2002 and 2004, the SEEM payments in Kentucky decreased $2.4 million. As noted below, this decrease primarily was the result of four anomalies that created unusually large penalty payments in 2002.

The following summarizes these four major anomalies in Kentucky in 2002:

1) The measurement Order Completion Interval (OCI) captures the interval from when a valid order is received until the service is delivered to the customer and the order is completed. In nearly every instance, a CLEC's order is completed on the due date established when the order is submitted to BellSouth. Generally, there is a 'standard' order completion interval that is applied to the order when it is received and this standard interval establishes the due date. Deviations from the standard order completion interval include expedite requests, special projects, large volumes of circuits, and designed circuits with negotiated due dates. As an example, an order for a UNE Loop that requires a technician to be dispatched to the customer's premise usually can be completed in four days. However there are many CLEC orders that do not require a technician dispatch and that can be completed on the same day the order is submitted, provided the order is submitted early enough the same day.

   There were two CLECs in Kentucky that submitted large numbers of orders near the close of the business day, i.e., after 3:00 p.m. When the orders were received, they were assigned the next day due date, even though the orders could have been completed the same day, had they been submitted earlier in the day. When the orders from these CLECs were compared against similar retail orders, where the retail orders were submitted throughout the day and had the same day due date, the difference of one day generated penalty payments of $826,000 in Tier 1 penalties. To remedy the issue, Bellsouth began offering same day appointments for those orders received late in the day.

2) BellSouth is charged with the responsibility for removing all reference to a ported telephone number to a CLEC after BellSouth has been notified from the Number Portability Administration Center (NPAC). Orders that have all reference removed from a BellSouth switch are classified as "non-trigger" and the orders to remove the associated telephone numbers are worked after a ported message is received from the NPAC. The time between the notification and the completion of the order is defined as the disconnect interval. The current SQM in Kentucky calls for 95% of all numbers on a non-trigger order to be removed within 12 hours from receipt of the ported message from NPAC.

   During 2002 some CLECs in Kentucky were submitting single, non-trigger orders with over 1800 telephone numbers to be disconnected. It can take as long as 15 minutes to disconnect a ported number from the BellSouth switching system. A review of the calculations for this measure revealed that the same start time was being used for all numbers on an order. With over 1800 numbers being disconnected and as long as a 15 minute disconnect time, using the beginning start time for all numbers resulted in an extreme distortion of this measure. For example, assuming it takes 15 minutes for each number, by the time the 1,800th number was disconnected, 450 hours would have elapsed if the start time used for the first and last number ported was the same. In reality, it only took 15 minutes to port each number, but the calculation of the measurement did not reflect that. BellSouth corrected the calculation to use the individual start times for each disconnected number. The use of the incorrect disconnect intervals resulted in $317,000 in Tier 1 penalties.

3) REJECT INTERVAL FOR FULLY MECHANIZED ORDERS – CLECs submit Local Service Request (LSR) either electronically or manually. Electronically submitted LSRs, are either processed totally by the ordering system (i.e. without human intervention) or they require additional information to be added by a service representative before the ordering system can complete the order. Orders that are processed totally by the ordering system, without human intervention, are called "fully mechanized." Those orders that were submitted electronically but later require manual handling by a service representative are classified as "partially mechanized." Any LSR that does not pass the system edit review is returned to the CLEC for correction or "rejected." Orders that are rejected in the fully mechanized category have a benchmark of 1 hour and the current SQM calls for 97% of all rejected orders to meet the 1 hour benchmark. For orders that are partially mechanized rejects (submitted electronically but later rejected after a review by a service representative) the interval in 2002 was 10 hours and the benchmark called for 85% of all partially mechanized rejected orders to meet the benchmark.

   Several months during 2002, partially mechanized reject orders were incorrectly classified as fully mechanized rejects in the measurements systems. They were rejected within the required 10 hour interval but when evaluating performance, these orders were erroneously treated as fully mechanized orders and measured against the 1 hour standard. This misclassification resulted in $71,000 Tier 1 and $37,000 Tier 2 penalties – penalties that were not warranted because BellSouth actually achieved the performance standard. BellSouth subsequently corrected the process that resulted in this misclassification.

4) FLOW THROUGH - Local Service Orders (LSRs) that are submitted electronically and are designed to be processed totally by the ordering system are considered to "flow through" the ordering system. However, certain types of orders cannot flow through until additional specific data is provided to the ordering system and the ordering system is programmed to receive and act on that specific data. Once that occurs, an error free order will flow through the ordering system. In 2002, the performance standard for flow through specified that 95% of the residence, 90% of business and 85% of other orders should flow through the ordering system without human intervention. For those orders that did not flow through, the remaining 5% in the case of residence, a service representative made the required entries and the order was

processed, typically on the same day as the order would have been processed, had it flowed through the ordering system without human intervention. Therefore, service to the end user is minimally impacted by whether an order flows through, or requires human intervention.

BellSouth was unable to meet these benchmarks without the identification of the type of orders that the CLECs were going to submit that would allow for the ordering system to be programmed. As a consequence, this generated SEEM penalties for Tier 1 of $290,000 and Tier 2 of $381,000. A special task force consisting of BellSouth and CLEC personnel subsequently was established to prioritize the type of orders that needed programming to increase "flow through" results.

As shown on page 2 of Attachment One, if the major anomalies from 2002 are removed, the SEEM penalties for 2002 and 2004 are very similar. Likewise, when the major anomalies in Georgia are removed, the SEEM penalties for 2002 and 2004 also are very similar.

Georgia

There was a total of $14.5 million paid by BellSouth in Georgia for Tier 1 and Tier 2 SEEM penalties in 2002. In 2004, BellSouth in Georgia paid $5.2 million for Tier 1 and Tier 2 SEEM penalties. Therefore, between 2002 and 2004, the SEEM payments in Georgia deceased $9.3 million. As noted below, the majority of this decrease was due to the five anomalies that existed in 2002 that created unusually large penalty payments in 2002.

A summary of these five major anomalies that existed for Georgia are as follows:

1) BellSouth is required to provide accurate billing to the CLECs for the services it provides. A Billing Invoice is sent to the CLECs for all services provided. When a CLEC finds what it believes to be an error in billing, a billing dispute is filed with BellSouth. BellSouth then investigates the dispute and if found to be correct, an adjustment is issued. The Billing Invoice Accuracy

measurement compares the billing accuracy for the CLEC to the billing accuracy for BellSouth's retail business.

In investigating billing disputes filed by the CLECs, it was determined that a programming error had caused the CLECs to be incorrectly billed for usage charges. This programming error resulted in $1.9 million in Tier 1 penalties in 2002. This programming error was corrected by BellSouth.

2) BellSouth is charged with the responsibility for removing all reference to a ported telephone number to a CLEC after BellSouth has been notified from the Number Portability Administration Center (NPAC). Orders that have all reference removed from a BellSouth switch are classified as "non-trigger" and the orders to remove the associated telephone numbers are worked after a ported message is received from the NPAC. The time between the notification and the completion of the order is defined as the disconnect interval. The current SQM in Georgia calls for 95% of all numbers on a non-trigger order to be removed within 12 hours from receipt of the ported message from NPAC.

   During 2002 some CLECs in Georgia were submitting single non-trigger orders with large number telephone numbers to be disconnected. The same issue and explanation noted for Kentucky above (Item #2) applies to Georgia since the measurement error was present in all 9 of BellSouth's states. The use of the incorrect disconnect interval in Georgia resulted in $985,000 in Tier 2 penalties.

3) REJECT INTERVAL FOR FULLY MECHANIZED ORDERS – CLECs submit Local Service Request (LSR) either electronically or manually. For electronic submitted orders, they are processed totally by the ordering system or require additional information to be added by a service representative before the system can complete the order. Orders that are processed totally by the ordering system are called fully mechanized and those that require service representative handling are classified as partially mechanized. A LSR that does not pass the system edit review is returned to the CLEC for correction or "rejected." Orders that are rejected in the fully mechanized category have a benchmark of 1 hour and the current SQM call for 97% of all rejected orders to meet the benchmark. For orders that are rejected after a review by a service representative, the interval was 10 hours and the benchmark calls for 85% of all rejected orders to meet the benchmark.

   As noted for Kentucky under item #3 above, several months during 2002, partially mechanized reject orders were incorrectly classified to the fully mechanized category. This misclassification resulted in $400,000 Tier 1 and $590,000 Tier 2 penalties– penalties that were not warranted because BellSouth actually achieved the performance standard. BellSouth subsequently corrected the process that resulted in this misclassification.

4) FLOW THROUGH - Local Service Orders (LSRs) that are submitted electronically and are designed to be processed totally by the ordering system are considered to "flow through" the ordering system. The same issue noted for Kentucky under Item 4 above occurred in Georgia. In Georgia's case, the result was SEEM penalties for Tier 1 of $915,000 and Tier 2 of $1.2 million.

5) The measurement Order Completion Interval (OCI) captures the interval from when a valid order is received until the service is delivered to the customer and the order is completed. In nearly every instance, a CLEC's order is completed on the due date which is established when the order is submitted to BellSouth. In Georgia, the CLEC order completion interval for UNE Loops was compared to a retail analog that was, in retrospect, an inappropriate comparison. Because the retail analog was a poor representation of the time required to install a UNE Loop, SEEM penalties of $826,000 in Tier 1 and in $941,000 in Tier 2 were paid.

   When the plan in effect in Georgia was updated in 2003, the retail analog was changed so that it more accurately reflected the processes required to design and install a UNE loop. The SEEM payments dropped as a result.

Adjustment of the Georgia 2002 data for the above anomalies results in a total Tier 1 and Tier 2 SEEM comparison of $6.77 million compared to $5.22 million in SEEM payments in 2004.

This analysis demonstrates that the downward trend in SEEM payments from 2002 to 2004 is mostly a result of correcting errors and removing anomalies, rather than changes in performance. BellSouth continues to improve processes and has operated under more stringent performance standards, such as the shortened reject interval noted above. However, it cannot be expected that the high level of SEEM payments will eventually go away simply by a continuation of the same trend that occurred between 2002 and 2004.

While BellSouth continues to offer a meaningful opportunity to compete to all CLECs, it remains BellSouth's position that penalties of over $1 million in Kentucky is an unwarranted and extreme penalty to pay for service levels that are meeting or exceeding FCC 271 requirements.

Respectfully submitted,

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