

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**BELLSOUTH TELECOMMUNICATIONS, INC.'S RESPONSE
TO THE COMMISSION'S REQUEST REGARDING THIRD-PARTY TESTING**

BellSouth Telecommunications, Inc. ("BellSouth"), by counsel, hereby responds to the Commission's request on December 6, 2004 for each party to submit its recommendation for third-party testing of the Service Quality Measurement Plan ("SQM") ultimately established in this proceeding.

BellSouth's response considers "third-party" testing from two perspectives. The first perspective relates to whether a third-party review is necessary to determine whether the proposed BellSouth plan contains appropriate measures. The second perspective relates to third-party audits of the SQM and SEEM plans.

Third-Party Testing

It is not necessary for an independent (third) party to evaluate the appropriateness of the SQM measurements and the enforcement plan (SEEM) proposed by BellSouth on August 31, 2004. The SQM and SEEM plans proposed in this docket by BellSouth are not built from the ground up. The proposed plans are merely evolutions of the current plans toward less complex plans that still capture the necessary measures to ensure BellSouth's wholesale customers are receiving the services in a fashion necessary to facilitate competition, but at the same time, are

easier and less complicated to review. The proposed plans eliminate some of the 1,600 submetrics that either are captured in other measures or to date have never been used. The proposed plans continue to ensure that the service Bellsouth delivers to its wholesale customers will remain at a high level of performance. As examples of this performance, out of the 44,500 CLEC initiated local service requests, Bellsouth executed 99 % of them in a timely manner. Further, BellSouth's network has been reliable with no troubles on average of 98 % of the circuits and lines.

The proposed plans retain all key aspects of the SQM and SEEM plans which have been thoroughly and diligently reviewed and scrutinized by the Federal Communications Commission ("FCC") and the nine State Commissions as a part of the Section 271 application process. These regulatory agencies relied on the performance data and the enforcement provisions of these plans – including the fact that the plans had undergone extensive third-party testing - in determining that BellSouth's performance was sufficient for granting 271 approvals in all of the states in which BellSouth operates. In short, because the proposed plans are derived from the plans that have been subject to many independent evaluations and they contain current and proposed audit provisions, there is no need to engage in additional and potentially costly, lengthy review to assure that the measures being captured are adequate. The history of these current plans, and thereby the streamlined version, demonstrates BellSouth is meeting and actually exceeding the level of performance intended in the 271 application process.

Third-Party Audits

Although the Commission's question related to recommendations regarding the necessity of third-party testing of the SQM, BellSouth also addresses herein the separate topic of third-party audits. The proposed SQM and SEEM plans, like the current plans, contain several

auditing provisions associated with BellSouth's systems and processes used to process data, report results, and make payments under these plans.¹ The proposed SQM audit provisions are essentially the same as the audit provisions of the current plan. However, the proposed SEEM audit provisions are slightly different from the current SEEM audit plan. The proposed SEEM plan adds language like that found in the SQM plans in an attempt to clarify how an audit of the SEEM plan can be requested, the selection of the auditor, and how the cost of the audit is borne. The following language from the proposed SEEM plan reflects the clear assurance of the audit terms:

“If requested by a Public Service Commission or by a CLEC exercising contractual audit rights, BellSouth will agree to undergo a comprehensive audit of the aggregate level reports for both BellSouth and the CLEC(s) each of the next five years (2001-2005) to be conducted by an independent third-party.”

- “1) The cost shall be borne 50% by BellSouth and 50% by the CLEC or CLECs.
- 2) The independent third-party auditor shall be selected with input from BellSouth, the PSC, if applicable, and the CLEC(s).
- 3) BellSouth, the PSC, and the CLEC(s) shall jointly determine the scope of the audit.”

Additionally, the proposed SEEM plan audit provisions no longer include a reference to the GAAP audit provisions. This is due to recognition of the fact that each of the SEEM transactions are among the thousands of different types of transactions that are reviewed in the

¹ The current plan's auditing requirements can be found in Appendix C of the BellSouth Service Quality Measurement Plan and Section 1.4.5 of the Kentucky SEEM Administration Plan. In the proposed plans the auditing provisions are included in Appendix B to the proposed SQM and Section 1.4.8 of the proposed SEEM Administrative Plan.

GAAP audit of BellSouth's annual financial records and accounting practices. Consequently, there is no need for a separate, additional audit limited to SEEM transactions only. However, as proposed in Section 1.4.8 of the proposed SEEM plan, there are provisions to audit the accuracy of SEEM payments.

PMAP Also Has Been Audited.

As has been discussed in many proceedings throughout the BellSouth region, BellSouth has a Performance Measurement Analysis Platform (PMAP) system that is used to generate and report results in its region. This system collects data from all legacy systems that are used to order, provision, maintain, and bill services from BellSouth and produces reports that are used to monitor the levels of service BellSouth provides to both its retail and wholesale customers. The system also identifies those areas where disparate treatment may exist. This system collects the data from the entire region and on a monthly basis; a snapshot is taken to allow an audit to be performed on the results of the reporting of the data and the calculation of remedy payments.

This regional system has undergone a comprehensive third-party test, also has undergone additional audits more recently in Georgia and Florida, and will soon undergo an audit in North Carolina. These audits are being conducted with the oversight of those state's commission staff. These audits will test the documentation, compliance, reporting, validity and integrity of the system and accuracy of the data that is produced by BellSouth. Additionally, these audits also have had input and collaboration with the CLEC community with regards to the scope of the audit to be conducted. Based upon the extensive auditing of this regional system that is being done in other parts of the BellSouth region, BellSouth does not believe that it is necessary to have another audit performed in the state of Kentucky.

CONCLUSION

For the reasons discussed herein, additional third-party testing of the SQM and SEEM proposal is not necessary as the underlying components of the proposal already have been fully subject to third-party testing. It should also be noted that the proposal continues to include assurances for appropriate third-party audits. A costly "second" review of the proposed plans is not necessary and only adds unnecessary delay.

Respectfully submitted,



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