

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, )  
to consider **AMERITECH MICHIGAN'S** compliance ) MPSC Case No. U-12320  
with the competitive checklist in Section 271 of )  
the federal Telecommunications Act of 1996 )  
\_\_\_\_\_)

**Z-TEL COMMUNICATIONS, INC.'S COMMENTS WITH RESPECT TO THE ERNST  
AND YOUNG REPORT AND SBC AMERITECH MICHIGAN'S PERFORMANCE  
MEASUREMENT DATA**

**I. INTRODUCTION**

Z-Tel Communications, Inc. ("Z-Tel") is a Tampa, Florida-based competitive local exchange carrier ("CLEC") that offers bundled packages of local, long distance, and enhanced services to residential and small business customers using the combination of unbundled network elements ("UNEs") known as the UNE Platform or UNE-P. As of June 30, 2002, Z-Tel was providing integrated local, long distance and enhanced services to approximately 200,000 users in 38 states. In November of 2000, Z-Tel launched service in Michigan and currently serves more than 22,000 Michigan customers.

In this proceeding, SBC Ameritech Michigan ("Ameritech") has submitted in a form of a report two opinions of Ernst & Young LLP ("E & Y"). The intended purpose of the E & Y report was to show that: (1) Ameritech has effective controls over the accuracy and completeness of reported data in accordance with the Business Rules, and (2) Ameritech reports its performance measurements in compliance with the Business Rules. Far from issuing a "passing grade," the E & Y report demonstrates

that there are significant areas of noncompliance by Ameritech with the Business Rules. On its face, the E & Y report states that “processes used to generate performance measurements primarily related to the manual collection and processing of data and computer program coding and modifications, do not include certain controls to ensure the accuracy of the reported performance measurements.” Also, the E & Y establishes “certain instances of material noncompliance with the Business Rules.”

In its September 16, 2002 Opinion and Order which allowed Ameritech to submit the E & Y report, the Commission recognized that it was allowing Ameritech to depart from the previously approved procedures for reviewing its compliance with the 271 checklist. (Id., at p 2.) For this reason, the Commission stated that it “may terminate this review at any time if it concludes on the information provided . . . that Ameritech Michigan is unlikely to be able to show successful operation of its OSS and compliance with the performance measurements.” (Id., p 3.) Z-Tel files these comments to demonstrate that Ameritech is not successfully operating its OSS and is not in compliance with the performance measurements. In particular, Ameritech has failed with respect two critical issues: (1) line loss reporting; and (2) wholesale billing. As discussed below, these two items are critical for UNE-P providers, such as Z-Tel, to be able to compete in the local telecommunications market.

## **II. ANALYSIS**

### **A. LINE LOSS REPORTING**

Because Z-Tel purchases local switching from Ameritech, the only way that Z-Tel is able to know when one of its customers switches to an alternative carrier and

leaves Z-Tel's network is through a line loss notification from Ameritech. Without an accurate, timely, and reliable line loss notification, Z-Tel's systems continue to bill a local exchange customer after that customer has migrated local service to another CLEC or to Ameritech. When a customer is wrongfully double billed as a result of Ameritech's failure to provide a line loss notification, the customer will blame Z-Tel even though the double billing results from a clear fault of Ameritech's OSS. As a result, timely and accurate line loss notifications are as vital as an ordering system to a UNE-P provider, such as Z-Tel. Nondiscriminatory access to line loss information is a material OSS issue and Ameritech has not met this 271-checklist item.

This Commission has already stressed the importance to Ameritech of providing timely and accurate line loss notifications in order for it to obtain 271 approval. In its December 20, 2001, Opinion & Order, this Commission stated:

In the Commission's view, this problem has a grave potential effect on competition for local exchange service and is one of the most serious of the problems raised in this case. Billing for services after they have been canceled violates Section 502(1)(c) of the Michigan Telecommunications Act, MCL 480.2502(1)(c), and may have serious negative effects on the reputations of both competitive providers. Failure to provide timely notice of migrations is an egregious and anticompetitive neglect of Ameritech Michigan's duty. This problem, including CLEC-to-CLEC migrations and Winback changes, must be resolved promptly. (December 20, 2001 Opinion & Order, case NO.U-12320 at p.6)

Thus, timely and accurate line loss notifications are a critical aspect of Ameritech Michigan's showing successful operation of its OSS.

The E & Y report offers no assurances with respect to Ameritech's ability to collect data to accurately measure its line loss reporting performance and no assurances with respect to its ability to provide accurate line loss reporting to Z-Tel

and others. For example, in the E & Y report it is recognized that Ameritech Michigan was required to restate its March 2002 results with respect to performance measure MI 13 relating to line loss reports. (Attachment A at p 8.) In addition, the E & Y report reveals that during the evaluation period, Ameritech “excluded projects from MI 13 although there is no exclusion allowed in the Business Rules.” (Attachment A at p 14.) With respect to this erroneous reporting, E & Y states that the “results have not been restated and have **not been corrected** by the Company as of the date of this report.” (*Id.*, at p 11.) Thus, the E & Y report raises significant questions with respect to Ameritech’s ability to effectively collect and report the data regarding its line loss reporting.

In fact, Ameritech submission of its latest three months of performance data establishes Ameritech’s failure to properly collect data relating to line loss notifications provided to CLECs. Ameritech was required to acknowledge that it overstated the actual volume of line loss notices that were sent to CLECs in the month of August. (Ehr Affidavit, p.30, paragraph 57). In other words, Ameritech erroneously collected data showing it had sent more line loss notifications, than it actually did for the month of August. While Ameritech would like this Commission to believe that its line loss reporting issues have been resolved, Ameritech has difficulty even collecting the data to measure the amount of its timely/untimely line loss notifications.

Z-Tel is legitimately concerned with respect to Ameritech’s ability to provide timely and accurate line loss reports or even measure the extent of its line loss reporting problems. Z-Tel’s internal data shows that Ameritech continues to have

significant problems with respect to line loss reporting. As of the end of August 2002, 14% of Z-Tel's customers were in Michigan. However, 33% of Z-Tel's double billing complaints received in the month of August were from Michigan customers. This statistic clearly demonstrates that the line loss problem continues.

It is not only Z-Tel's internal data that demonstrates Ameritech's difficulty in providing timely and accurate line loss reporting to CLECs. For example, KPMG Consulting issued a report on August 12, 2002, which demonstrated that Ameritech Michigan had a failure rate of 19.5% in providing timely line loss notifications. In a separate instance which occurred between August 15, 2002, and September 11, 2002, Ameritech acknowledged that it failed to report to Z-Tel 678 line losses because of a routing issue. 274 of these lines were servicing Michigan customers. These late notices were finally received on September 19, 2002 and represent approximately 21% of the total lines disconnected from Z-Tel during this time period. The scope of this problem was evidenced by WorldCom's October 7, 2002, filing in this case where WorldCom experienced approximately 14,000 missing line loss notifications during this time period in the Ameritech region.

With the known errors set forth in the E & Y report relating to Ameritech's inability to accurately capture data relating to its line loss notice performance and Z-Tel's real life experience which shows Ameritech is not providing timely line loss notices, Ameritech simply can not be found in compliance with this critical checklist item. The information before the Commission demonstrates serious questions still remain even as to the ability of Ameritech Michigan to adequately collect the data to

measure the scope of this significant problem. Despite being forewarned in December of 2001, Ameritech has not adequately addressed this critical issue.

## **B. WHOLESALE BILLING**

Another area of concern is Ameritech's wholesale billing of CLECs. Ameritech's bills are essentially impossible to accurately audit and/or reconcile. This issue has existed since Z-Tel entered the Michigan market and has not yet been resolved by Ameritech. The E & Y Report reinforces this concern and states:

**PM 14** (*Parity Measures*) - The process by which the Company performed bill audits to verify wholesale universal service ordering code ("USOC") rates did not ensure all items in the audit sample were tested and did not obtain all the relevant information in all cases to accurately determine if the USOC rate was accurate. Additionally, for the retail comparison for both resale submeasures, the company did not have a process in place to accurately capture and report when invalid USOC rates were identified in the bill and audit process. Also, for the Resale Monthly Recurring/Non Recurring wholesale submeasure, the Company's process does not compare the USOC rates per the rate tables to the actual bill sent. Utilizing the Company's current process, a difference would not be identified. (E & Y Attachment A, p. 12, Item 9)

With respect to this serious problem, the E & Y report states that "results have not been restated and have not been corrected by the Company as of the date of this report." (*Id.*, at p 11.) Thus, the E & Y report establishes that there are significant issues with respect to billing accuracy and the ability of Ameritech to capture and record data relating to the accuracy of its bills.

The real life experience of Z-Tel proves that Ameritech has substantial problems with respect to the bills it sends to CLECs. Moreover, even when Z-Tel identifies clear overcharges, Ameritech's billing dispute process is excessively

difficult to navigate. Indeed, Ameritech's wholesale billing problems are so acute that they deny Z-Tel a meaningful opportunity to compete in Michigan.

At present, Z-Tel currently has 385 billing disputes open with Ameritech Michigan. Each represents an individual line item on an Ameritech invoice. Of these 316 are more than 60 day old, and 246 are more than 120 days old. Some open disputes were filed with Ameritech as early as May 2001.

This problem is so severe that Z-Tel launched an informal dispute resolution process with Ameritech Michigan on July 29, 2002. (See Attachment A.) Ameritech Michigan has recently verbally agreed to adjust some of these items, but the credits have not been received by Z-Tel.

Nonetheless, this illustrates the scope of this problem. And it reemphasizes that Ameritech's wholesale bills, as well as the billing dispute process, are unacceptable. The inability to resolve timely billing disputes wreaks havoc on Z-Tel's ability to account for its cost of goods sold, greatly hamstrings Z-Tel's ability to do business planning, and denies Z-Tel a meaningful opportunity to compete in Michigan.

Ameritech's wholesale billing system and dispute process is overrun with significant problems. Z-Tel summarizes the most severe process problems as follows:

- Ameritech provides no citations or cross references to allow Z-Tel to effectively audit the Ameritech invoice (e.g., call flows, interconnection agreement pricing schedules, tariff page references).
- No response received from Ameritech regarding the billing dispute.

- Ameritech denies the dispute without clear explanations or without validation back to a contract or tariff.
- Ameritech dispute resolution personnel have limited knowledge of Ameritech's UNE-P product and the relevant and appropriate charges incurred by a UNE-P provider.

Without question, Z-Tel knows that it has been frequently overcharged. Z-Tel is often forced to re-file disputes because Ameritech doesn't respond at all or its explanation for denial is vague or simply incorrect. And often the Ameritech dispute analyst doesn't understand Ameritech's UNE-P product offering and the corresponding rate elements that should or should not apply to a UNE-P provider like Z-Tel.

Put simply, Z-Tel should be able to identify all incorrect charges billed on any given invoice prior to making payment, and Z-Tel should also have the ability to efficiently file disputes and receive documented resolution, in a timely manner, for items determined to be incorrectly billed. Ameritech, however, makes this process extremely difficult, if not impossible.

Ameritech's billing and dispute process is also patently unfair. Z-Tel provides the following data elements when disputing an Ameritech invoice:

- Analyst Name
- Vendor Name
- State
- BAN (Billing Account Number)
- Bill Date
- Invoice Number

- Date Dispute Sent
- Dispute Type
- Claim Number
- Full Description of Dispute, including citations to tariffs and interconnection agreements

In addition, Z-Tel provides Ameritech a monthly summary of all open disputes. This includes all the above referenced data fields as well as an aging of each dispute.

On the other hand, Ameritech's response to Z-Tel's disputes are usually brief, nondescript and not validated back to any contract or tariff data source. The response includes the amount adjusted, the resolution (indicating if the charge was valid or not), and the representative's name and phone number.

The checklist mandates that Ameritech must provide timely and accurate bills to CLECs, such as Z-Tel. Doing so requires Ameritech to make such bills "auditable" by including clear cross references to the applicable tariff, call flow, and interconnection agreement so rate descriptions and rate amounts can be verified. Ameritech's failure to provide such a wholesale bill further demonstrates that Ameritech fails to provide nondiscriminatory access to the OSS UNE.

### **III. CONCLUSION**

For the reasons set forth above, Ameritech should not be granted relief under Section 271 of the Federal Telecommunications Act of 1996. In allowing Ameritech to depart from the previously approved procedures for reviewing its compliance with the 271 checklist, the Commission stated that it "may terminate this review at any time if it concludes on the information provided . . . that Ameritech Michigan is

unlikely to be able to show successful operation of its OSS and compliance with the performance measurements.” (September 16, 2002, Opinion and Order, p 3.) Here, Ameritech is unable to show that it has the ability to even accurately collect the data relating to its line loss notifications or wholesale bills. Further, more than ample evidence exists showing that Ameritech has not solved its long-standing line loss notification problems and is still unable to properly bill CLECs. With respect to these two critical issues to UNE-P providers, such as Z-Tel, Ameritech is unable to show successful operation of its OSS and compliance with the performance measurements. As a result, the Commission should reject the E & Y report, place no reliance upon it and require Ameritech to proceed under the more rigorous testing of its OSS.

Respectfully submitted,

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