

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter, on the Commission's own motion,        )  
to consider Ameritech Michigan's compliance        )  
with the competitive checklist in Section 271 of        )        Case No. U-12320  
the federal Telecommunications Act of 1996.        )  
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**SBC'S SUBMISSION OF SUPPLEMENTAL ERNST & YOUNG REPORTS AND  
UPDATE ON CURRENT STATUS OF CORRECTIVE ACTION**

By minute action dated January 13, 2003, the Commission approved its Consultative Report to the FCC finding that SBC has demonstrated compliance with Section 271(c) of the federal Telecommunications Act. On January 13, 2003, the Commission also entered an Opinion and Order ("January 13 Order") in which it directed that,

. . . Ernst & Young shall complete its audit activities and verify that all issues have been corrected and restatements completed for items addressed in the October, November, and December 2002 audit reports. Corrective actions must be taken on all outstanding issues including, and in particular, those scheduled to occur this month for performance measure 104.1 (911 data base). It shall file a progress report on February 28, 2003 and a final report thereafter if the required activities are not complete at the time of the February report.<sup>1</sup>

In compliance with the Commission's January 13 Order, SBC submits herewith the following progress reports:

- Report of Independent Accountants issued by Ernst & Young, dated January 14, 2003, together with SBC's assertions upon which the examination report is based("Second Corrective Action Report"). The Second Corrective Action Report

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<sup>1</sup> January 13 Order, at 3-4.

covers the period from December 19, 2002 – January 14, 2003 and is attached as Exhibit “A.”

- Ernst & Young Supplemental Report Regarding Management’s Assertions dated February 28, 2003, together with SBC’s management assertions upon which it is based (“Third Corrective Action Report.” The Third Corrective Action Report covers the period from January 14, 2003 through February 28, 2003, and is attached as Exhibit “B.”

In addition, this filing will provide an update to the status of certain performance measurements that the Commission identified as being of concern.

#### **I. E&Y PROGRESS REPORTS**

SBC’s Submission of Supplemental Ernst & Young Reports, filed on December 19, 2002, included an attestation examination report by E&Y, dated December 19, 2002, regarding the SBC’s assertions on the status of corrective action as of that date (“First Corrective Action Report”). In the First Corrective Action Report, SBC identified 113 of 130 instances of material noncompliance that had been corrected on a prospective basis or did not require corrective action, and 17 instances of material noncompliance that were pending corrective action. Additionally, SBC identified certain instances of material noncompliance that had been corrected on a prospective basis, but that were not scheduled to be restated until January or February 2003.

On January 14, 2003, E&Y issued the Second Corrective Action Report, which was filed with the FCC on January 16, 2003. In the Second Corrective Action Report, SBC identified restatements that were made in January 2003 and quantified the impact of those restatements on previously reported results. Additionally, SBC disclosed three new instances of material

noncompliance impacting March, April and May 2002 that were not noted in earlier E&Y reports, two of which had already been corrected by SBC. As of the date of the Second Corrective Action Report, the Company had corrected 115 of 133 instances of material noncompliance noted by E&Y, and 18 instances of material noncompliance were pending corrective action. Finally, SBC identified certain modifications and agreements relating to prior interpretations resulting from the then recently-completed Six-Month Review Performance Measurements Collaborative, including changes to PMs CWI 9, 10.4, MI 2 and MI 12.

On February 28, 2003, E&Y issued the Third Corrective Action Report. The Third Corrective Action Report shows that, as of February 28, 2003, SBC identified restatements that were made in February 2003 and quantified the impact of those restatements on previously reported results. SBC also identified 10<sup>2</sup> instances of material noncompliance that have been corrected and one modification to a prior interpretation. SBC also identified seven issues identified in the Compliance Report that are in the process of being corrected and one issue resolved in the “six-month review” that will be implemented consistent with the schedule approved by the Commission on February 20, 2003 in Case No. U-11830.

E&Y will file a final report with the Commission when all corrective actions have been completed and examined. SBC intends to correct the seven issues effective with February 2003 results reported in March 2003 and the 8<sup>th</sup> issue effective with April 2003 results reported in May 2003.

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<sup>2</sup> As E&Y’s Report notes, its testing, however, is not complete at the time of the report for Issues IV-11 and IV-14(ii).

## II. STATUS OF CORRECTIVE ACTIONS WITH RESPECT TO CERTAIN PERFORMANCE MEASURES

In its January 13, 2002 consultative report to the FCC, the Commission concluded that,

. . . sufficient support exists in the completed portions of the BearingPoint test, in the completed portions of the E&Y audit, in the actual market experience and in the responses provided by SBC to BearingPoint's ongoing investigations to support a Section 271 approval at this time and for reliance on the June, July, and August 2002 performance metric results. As discussed herein, reliance will be made with caution for the 4 PMs which were questioned in the Commission's review of the interpretations delineated by E&Y in Attachment B, on the 16 PMs where outstanding questions remain regarding the E&Y exceptions included in its Attachment A and on PM 19 which is specifically included in BearingPoint's Exception 176.<sup>3</sup>

Table 1, below, sets forth the current status of the corrective action on each of the 21 performance measures of concern to the Commission:

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<sup>3</sup> *Id.*, at 22. In Footnote 54 to its consultative report, the Commission identified the 21 performance measures, specifically, CLEC WI 9, 10.4, MI 2, MI 12, 54, 54.1, 65, 65.1, 1.2, 14 (for June and July), 28, 43, 44, 55, 55.1, 56, 56.1, 105, 106, MI 5 and 19.

**Table 1**  
**Status of Commission PMs of Concern**

Affected PM(s)	Issue	Current Status of Corrective Action
<b>E&amp;Y Exceptions</b> (Details are provided in the “Third Corrective Action Report, Report of Management)		
54, 54.1, 65, 65.1	II-A-2f(ii)	<p>Effective with December 2002 results reported in January 2003, the computer product table in the Company’s Regulatory Reporting System (RRS) was updated to include these products. The source systems feed is in summary format using the product table to create the denominators. The prior months’ summaries do not contain the unknown products and thus the results cannot be restated.</p> <p>PMs 37 and 37.1, which measure POTS and UNE-P, are not affected by this issue because the data for POTS and UNE-P in service line counts are not sourced from the WFA inventory data.</p>
1.2	IV-1	<p>This issue was identified in the current, ongoing six-month review collaborative. As a result, the Company filed a joint motion with participating CLECs and the Michigan Public Service Commission Staff on January 17, 2003, which was amended on February 18, 2003, which will introduce a new PM (1.3) and suspend PM 1.2. Results for PM 1.3 and the Company’s performance on providing accurate loop information will be assessed in the future and determination will be made whether or not to delete PM 1.2. This change was approved by the Michigan Public Service Commission on February 20, 2003 in Case No. U-11830. As a result, no restatements of prior results for PM 1.2 are planned. Implementation of PM 1.3 is scheduled for April 2003 results to be reported in May 2003.</p>
14	IV-9(i)	<p>Effective with August 2002 results reported in September 2002, the Company has changed its data retention policies to allow for the appropriate bill audit process to occur. Since this was a process change, no restatements were possible.</p>
28	IV-11	<p>Effective with January 2003 results reported in February 2003, the Company implemented a computer program code change to calculate the measured interval appropriately in this calculation for PMs 27 and 28, application date to CDDD. Subsequent to previously filings, PM27 was identified as being impacted by this issue. The Company plans to restate July through December 2002 results for this issue in the second quarter of 2003.</p>
43, 44, 55, 55.1, 56, 56.1	IV-14(ii)	<p>Effective with December 2002 results reported in January 2003, the Company implemented a computer program code change to calculate the measured interval appropriately in this calculation, application date to CDDD for PMs 43 and 44. Effective with January 2003 results reported in February 2003, the Company implemented a computer program code change to calculate the measured interval appropriately in this calculation for the Lineshare disaggregation only for PMs 55.1, 56, and 56.1. The Company plans to restate July through December 2002 results for this issue in the second quarter of 2003.</p> <p>PM 55 was not impacted by this issue.</p>

<b>Table 1</b>		
<b>Status of Commission PMs of Concern</b>		
<b>Affected PM(s)</b>	<b>Issue</b>	<b>Current Status of Corrective Action</b>
105, 106, MI 5	IV-23(i)	The Company implemented additional controls on October 14, 2002 to ensure that start and stop times are stamped on all requests and that transaction logs are properly maintained. Since this was a process change, no restatements are possible.
<b>E&amp;Y Interpretations</b> (Details are provided in the "Third Corrective Action Report, Report of Management)		
C WI 9	1	Effective with October 2002 results reported in November 2002, the Company corrected the calculation to utilize calendar days instead of business days. March through September 2002 results were restated on December 5, 2002.
10.4, MI 2	7	The agreed-upon changes to performance measurements from the recently completed six-month review collaborative, as now approved by the MPSC, include a change for these PMs from a parity standard to a benchmark standard of comparison. As such, this interpretation is not made under the new business rule.  Implementation of these changes will be made consistent with the MPSC's order approving the six month review.
MI 12	45	The agreed-upon changes to performance measurements from the recently completed six-month review collaborative, as now approved by the MPSC, include a change for this PMs to report based on business days, from the date the order went into error condition to the date the error is cleared.  Implementation of these changes will be made consistent with the MPSC's order approving the six month review.
<b>BearingPoint</b>		
19	176	Effective with December 2002 results reported in January 2003, the Company modified its performance measurement processes to include DUF Category 11 files in the reported results. No restatement of prior months is planned, as comparison to previously reported results shows volume increase (as expected) but no change in the result (performance remained at greater than 99.9%). This exception is currently in retest status.

SBC will submit a final report including the final audit results of the remaining eight issues and all issues that have been corrected and for which restatements have been completed for items addressed in the October, November, and December 2002, and the January and February 2003 audit reports in the 2<sup>nd</sup> quarter of 2003.

Respectfully submitted,

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Dated: February 28, 2003

## **EXHIBIT A**

## Report of Independent Accountants

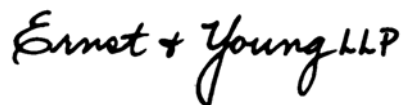
To The Management of  
SBC Communications Inc.

We have examined management's assertion, except those assertions in Section II in Attachment A of The Report of Management on Changes Implemented to the Reporting of Performance Measurements Pursuant to the Michigan Business Rules<sup>1</sup> ("Report of Management"), regarding the status of any corrective action taken to date to address instances of material noncompliance with the Michigan Business Rules. Management is responsible for the Company's assertions regarding the status of the Company's corrective action. Our responsibility is to express an opinion on management's assertions regarding the status of any corrective action based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about management's assertions regarding the status of any corrective action, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on management's assertions regarding the Company's compliance with the Business Rules.

In our opinion, management's assertions regarding the status of the Company's corrective action, except with respect to those assertions in Section II in Attachment A of the Report of Management, are fairly stated, in all material respects.

This report is intended solely for the information and use of the Company and the Federal Communications Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



January 14, 2003

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<sup>1</sup> "Business Rules" refer to Version 1.8\_05\_20\_02 of the Ameritech Performance Measure User Guide as set forth in the Michigan Public Service Commission Order in Docket No. U-11830, as amended.



## Report of Management on Changes Implemented to the Reporting of Performance Measurements Pursuant to the Michigan Business Rules

On December 19, 2002, Ernst & Young LLP ("E&Y") issued its Michigan Performance Measurement Attestation Examination Report on the Status of the Company's Corrective Action dated December 19, 2002 ("Corrective Action Report"). E&Y tested the accuracy of the Company's assertions in the Corrective Action Report dated December 19, 2002, regarding the status of SBC's corrective action to address exceptions to compliance with the Michigan Business Rules<sup>1</sup> noted in E&Y's October 18, 2002 Report of Independent Accountants for the period of March, April, and May 2002 ("E&Y October 18, 2002 Report").

The Company makes the following assertions regarding the status of SBC's corrective action as of January 14, 2003:

- **Attachment A, Section I – Exceptions Restated on January 6, 2003** – In the Corrective Action Report, the Company indicated certain exceptions were scheduled to be corrected and results restated in either January or February 2003. We assert that the corrective actions noted in Section I of Attachment A to this report are accurate and that results for the periods indicated were recalculated and restated on the Company's Web site on January 6, 2003. Additionally, we assert that the related impact on the Company's previously reported June, July, and August 2002 results is accurate.
- **Attachment A, Section II – Exceptions Corrected But Not Yet Reported** – We assert that SBC's corrective actions noted in Section II of Attachment A to this report have been implemented and that the Company plans to post December 2002 results, with the corrective actions implemented, on the Company's Web site on January 20, 2003.
- **Attachment A, Section III – Supplemental Disclosures** – Section III of Attachment A describes three exceptions to compliance with the Michigan Business Rules that were not previously addressed in the December 19, 2002 Corrective Action Report. We assert that the status of corrective action regarding these three exceptions as noted in Section III of Attachment A to this report is accurate.
- **Attachment B – Interpretations** – In the E&Y October 18, 2002 Report, E&Y identified 49 interpretations that the Company made in its implementation of the

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<sup>1</sup> "Michigan Business Rules" refer to Version 1.8\_05\_20\_02 of the Ameritech Performance Measure User Guide as set forth in the Michigan Public Service Commission Order in Docket No. U-11830, as amended.

Michigan Business Rules. We assert that the statements made by the Company in Column 4 of Attachment B to this report are accurate and reflect the changes to the previously approved Michigan Business Rules that the Company and Competing Local Exchange Carrier (CLEC) participants have preliminarily agreed to in the recently completed Six-Month Review Performance Measurements Collaborative. These agreed-upon changes are in the process of being filed jointly by the collaborative participants in each of the respective SBC Midwestern states for the applicable State Commission's approval.

SBC Communications Inc.

Date: 01-14-03

By: M. N. Gillham

Report of Management

**Attachment A – Exceptions to Compliance**

Below is a listing of exceptions to compliance with the Business Rules for the period of March, April and May 2002:

<b>E&amp;Y No.<sup>1</sup></b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion - Corrective Action Status for the Described Exception</b>
<b>I. Exceptions Restated on January 6, 2003<sup>2</sup></b>			
III- 5 (i)	10.4, MI 2	During March, April, and May 2002, the Company incorrectly reported certain UNE loop orders as UNE loops with LNP when they were not LNP orders.	Effective with August 2002 results reported in September 2002, the Company changed the computer program code to properly identify certain UNE loop orders. These Performance Measurements (PMs) were restated in conjunction with other issues for July 2002 results on January 6, 2003. The restatement did not change benchmark attainment/failure <sup>3</sup> for July 2002 results for PM 10.4. The restatement changed the reported results for MI 2 for July 2002 for two submeasures, Res. FW and Bus. FW. June 2002 results are scheduled for restatement in February 2003.

<sup>1</sup> The E&Y No. refers to the corresponding section and exception number in Attachment A of Ernst & Young’s October 18, 2002 Report of Independent Accountants on the Company’s compliance with the Michigan Business Rules.

<sup>2</sup> The following PMs were originally reported in error during March, April and/or May 2002. These results have been corrected for the error noted and the Company has restated March, April or May 2002 data. E&Y has tested the accuracy of the corrective action implemented by the Company through a combination of site visits, computer program code review, transaction testing and analytical review as described in the Supplemental Report dated December 19, 2002.

<sup>3</sup> As used herein, “a change in benchmark or parity attainment/failure” means that implementation of the described corrective action or restating reported results would have changed the reported results by either (i) changing a reported “Make” to a “Miss,” or (ii) if the reported result was a “Miss,” it would have degraded by more than 5% of reported results. To be conservative, neither a change from a reported “Miss” to a “Make,” nor an improvement of more than 5% in a reported “Make,” were considered and therefore these situations are not reported as a change in benchmark or parity attainment/failure in this analysis.

<b>E&amp;Y No.<sup>1</sup></b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion - Corrective Action Status for the Described Exception</b>
III- 5 (ii)	10.4, MI 2	During March, April, and May 2002, the Company did not properly report the percentage of orders given jeopardies when there were multiple due date changes by the CLEC.	Effective with August 2002 results reported in September 2002, the Company implemented new computer program code to report jeopardies on order due dates instead of completion dates and to only count the order once even for the occurrence of multiple due date changes. These PMs were restated in conjunction with other issues for July 2002 results on January 6, 2003. The restatement did not change benchmark attainment/failure for July 2002 results for PM 10.4. The restatement changed the reported results for MI 2 for July 2002 for two submeasures, Res. FW and Bus. FW. June 2002 results are scheduled for restatement in February 2003.
III- 16(ii)	MI 14	An incorrect time interval was used to handle negative time intervals that occur when the Clear Request Receive date is before the Clear time. Additionally, for manual (calculated electronically) requests, an incorrect formula was utilized to calculate the time interval.	<p>Effective with September 2002 results reported in October 2002, the Company implemented new computer program code to correctly calculate the negative time interval. March 2002 through August 2002 results have been reprocessed and were restated on December 20, 2002.</p> <p>Effective with November 2002 results reported in December 2002, the Company implemented new computer program code to correctly calculate the time interval for manual requests. June through October 2002 results were restated in January 2003.</p> <p>The January restatement impacted benchmark (95%) attainment/failure for one disaggregation (UNE loops-Manual) for July 2002 through October 2002 results. The results changed as follows: June 97.5% to 93.0%, July 96.8% to 89.7%, August 97.1% to 85.5%, September 97.7% to 90.8% and October 99.6% to 94.3%.</p>

<b>E&amp;Y No.<sup>1</sup></b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion - Corrective Action Status for the Described Exception</b>
IV-5 (i)	7, 8	Certain orders that did not contain service order completion dates or contained start dates with a null value were reported as meeting the one-hour completion timeline when no data was available to make that determination.	Effective with October 2002 results reported in November 2002, the Company implemented new computer program code to address this issue. These PMs were restated for August 2002 and September 2002 results on January 6, 2003. The restatement did not change benchmark attainment/failure for August or September 2002 results for either PM.
IV-5 (ii)	7, 8	The Company excluded the LNP portion of certain service order transactions from the results in error, and standalone LNP orders were being improperly reported under the resale disaggregation instead of the UNE disaggregation.	Effective with October 2002 results reported in November 2002, the Company implemented new computer program code to include the LNP portion of the order so as to obtain the correct completion date. Effective with November 2002 results reported in December 2002, the Company implemented new computer program code to report standalone LNP orders in the correct disaggregation. These PMs were restated in connection with other issues for August 2002 through October 2002 results on January 6, 2003. This restatement impacted one disaggregation (UNE Combinations) for PM 7 for October 2002 results. The disaggregation went from a make to a miss (98% to 97%).
IV -7 (i), (ii), (iii), and (vi)	10.4, MI 2	<p>The Company did not apply an exclusion for CLEC-initiated end user codes as stated in the Business Rules. (i)</p> <p>The Company excluded certain wholesale jeopardy transactions processed through LASR from results due to an error in extracting detailed information from a source system. (ii)</p>	Effective with November 2002 results as restated on January 6, 2003, the Company implemented new computer program code to address these four issues. July 2002 through October 2002 results were restated on January 6, 2003. The restatement did not change benchmark attainment/failure for July 2002 through October 2002 results for PM 10.4. The restatement changed, by more than five percent, the reported CLEC results for MI 2 as follows: July 2002 for two submeasures, Res. FW and Bus. FW; August 2002 for two submeasures, Res. FW and UNE loop with LNP; September 2002 for four submeasures, Res. NFW, Bus FW, Bus NFW, and UNE loops with LNP; and October 2002 for five submeasures, Res FW, Resale Special FW, Resale Specials NFW, UNE loops with LNP and UNE-P.

<b>E&amp;Y No.<sup>1</sup></b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion - Corrective Action Status for the Described Exception</b>
		The Company excluded wholesale LASR transactions in which the scheduled date was erroneously stated as null. (ii)	June 2002 results are scheduled for restatement in February 2003.
IV-7(v)	10.4, MI 2	The calculation of the percentage of orders given jeopardy notices within 24 hours of the due date was performed utilizing days instead of minutes; resulting in anything less than 48 hours being considered a pass.	<p>Effective with September 2002 results reported in October 2002, the Company implemented new computer program code to convert the duration between the order time and jeopardy notice from days to minutes to determine if the notice was within 24 hours as required by the Michigan Business Rules. July 2002 and August 2002 results were restated in January 2003. The restatement did not change benchmark attainment/failure for July 2002 and August 2002 results for PM 10.4. The restatement changed, by more than five percent, the reported CLEC results for MI 2 for July 2002 for two submeasures, Res. FW and Bus. FW and for August 2002 for two submeasures, Res. FW and UNE loop with LNP.</p> <p>June 2002 results are scheduled for restatement in February 2003.</p>
IV-19 (iii)	91	The Company did not capture information by telephone number (“TN”), but instead captured the information by order number.	Effective with November 2002 data reported on December 2002, the Company implemented new computer program code designed to report at the telephone number level. June 2002 through October 2002 were restated in conjunction with other issues on January 6, 2003. The restatement did not change benchmark attainment/failure for June 2002 through October 2002 results.

<b>E&amp;Y No.<sup>1</sup></b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion - Corrective Action Status for the Described Exception</b>
IV-20(ii)	91, 93	The Company excluded LNP with loop orders in which the loop portion of the order was rejected and then later corrected.	For PMs 91 and 93, effective with November 2002 reported in December 2002, the Company implemented new computer program code to include LNP with loop orders in which the loop portion of the order was rejected and then later corrected. June 2002 through October 2002 results were restated in January 2003. The restatement did not change benchmark attainment/failure for June 2002 through October 2002 results for either PM.
IV-21(iii)	MI 13	During March, April, and May 2002, the Company excluded projects from these PMs although there is no exclusion allowed in the Business Rules.	Effective with November 2002 results reported in December 2002, the Company implemented new computer program code to include projects in results. The months of June through October 2002 were restated on January 6, 2003 to include this correction. The restatement did not change benchmark attainment/failure for June 2002 through October 2002 results for either PM.
<b>II. Exceptions Corrected But Not Yet Reported<sup>4</sup></b>			
2f(ii)	54, 54.1, 65, and 65.1	For the denominators of PMs 54, 54.1, 65, and 65.1, the unknown product issue has not been corrected.	Effective with December 2002 results scheduled to be reported in January 2003, the computer product table has been updated to include these products. The source systems feed is in summary format using the product table to create the denominators. The prior months' summaries do not contain the unknown products and thus the results cannot be restated.

<sup>4</sup> The following PMs were originally reported in error during March, April, and/or May 2002. The Company has corrected the error noted but has not reported results that reflect the correction as of the date of this report.

<b>E&amp;Y No.<sup>1</sup></b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion - Corrective Action Status for the Described Exception</b>
9 (ii)	Billing	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 audit process.	The Company currently verifies that an error found by a bill validator is actually an error in the bill, or is due to an out-of-date electronic validation handbook being used. The corrective action required is to enhance current methods and procedures to ensure that errors confirmed as bill element errors are reported as such in the PM 14 results. The Company implemented revised methods and procedures effective with December 2002 results to be reported in January 2003. No restatements are possible, as this is a process change. Identification of additional errors for the retail results would only cause improvement in the parity comparison because retail results have been reported at 100% for each month, and identification of errors in retail results alone will improve parity comparison performance.
<b>III. Supplemental Disclosures</b>			
New	Maintenance 35, 37-42, 46, 52-54.1, 59, 65-69, and WI 2	A number of retail trouble reports were improperly classified as wholesale trouble reports and recorded as wholesale troubles.	July through September 2002 results were restated on December 5, 2002 to report records on certain lines improperly classified as wholesale trouble reports as retail records. No restatements of prior reported results are planned as correction of the issue would only result in a lower wholesale trouble report rate than is currently reported.
New	Provisioning 43-50, 55-56.1, 58-63, WI 1, WI 9, CLEC WI 11	The Company's matching logic did not capture the appropriate order date on supplemental orders (i.e., the last date an order was supplemented was captured instead of the original order date).	Effective with October 2002 results reported in November 2002, the Company changed the matching logic in a service order log file to consider supplemental orders (i.e., to capture the original order date instead of the last date when the order had a supplement). August and September 2002 results were restated on December 5, 2002. No restatement is planned for March through July 2002 results for this issue.

<b>E&amp;Y No.<sup>1</sup></b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion - Corrective Action Status for the Described Exception</b>
IV – 27	Ordering	The Company excluded wholesale transactions when a field identifying the CLEC was blank.	Effective with February 2003 results scheduled to be reported in March 2003, the Company will begin including records where the field identifying the CLEC was blank in results. If required, June 2002 through January 2003 results will be scheduled for restatement in the first quarter of 2003. No restatements are planned for March, April or May 2002. This issue was originally reflected as an exception and was combined with a separate issue in the E&Y October 18, 2002 Report. In the Company's December 19, 2002 Corrective Action Report, this issue was combined with another issue and the Company's response was inadvertently omitted from the Company's assertion regarding the status of corrective action.

## Report of Management

### Attachment B – Interpretations

In implementing the Business Rules, certain interpretations of the proper application of the Business Rules are made. Below is a listing of interpretations made by management related to the Company’s application of the Business Rules. Ernst & Young has not considered these interpretations as exceptions to compliance with the Business Rules. In the recently-completed Six-Month Review Performance Measurements Collaborative, SBC and the other collaborative participants reached agreement on changes to the previously approved Business Rules as indicated in the summary below. These agreed-upon changes are in the process of being filed jointly by the collaborative participants in each SBC Midwestern state for State Commission approval. Completion of the filings is expected during January 2003. The agreed-upon performance measurement language changes supporting the interpretations are to be implemented by the Company upon adoption of the Business Rules.

Interpre- tation Number	PMs Impacted	E&Y Description of Interpretation	SBC Position/Modifications Agreed-To in the Six-Month Review Updates
1.	<b>PM 1.1, CWI 6, CWI 7 and CWI 8, CWI 9</b>	The Company excluded weekends and holidays from the calculation, although not specifically stated in the Business Rules. The Company has indicated that a wording change has been proposed to the Business Rules and has been approved by the CLECs in the most recent six-month review process for PM 1.1, CWI 6, CWI 7, and CWI 8.	<ul style="list-style-type: none"> <li>• PM 1.1 – Now specifies business days in definition.</li> <li>• CLEC WIs 6, 7, and 8 – Now has exclusion added for weekends and holidays.</li> <li>• CLEC WI 9 – Effective with October 2002 results reported in November 2002, the Company corrected the calculation to utilize calendar days instead of business days. March through September 2002 results were restated on December 5, 2002.</li> <li>• 105, 106 – The Company plans to implement revised computer program code for January 2003 results reported in February 2003 to include weekends and holidays in the PM calculation. No restatements are planned for March, April, or May 2002.</li> </ul>

<b>Interpretation Number</b>	<b>PMs Impacted</b>	<b>E&amp;Y Description of Interpretation</b>	<b>SBC Position/Modifications Agreed-To in the Six-Month Review Updates</b>
2.	PM 2	The Business Rules state that the start time is when the request is received by Ameritech at the Ameritech side of the electronic commerce network. This is just inside the Ameritech firewall. The Company does not record the start time for this type of transaction until after it has been through the translator inside the Company's firewall due to system limitations.	<ul style="list-style-type: none"> <li>• SBC proposed the SBC SWBT version of PM 2. That version has been accepted by the CLECs. SBC implementation of the start time and end time will remain the same, as was specifically discussed in the six-month review discussions.</li> </ul>
3.	PM 6	The electronically submitted DSL submeasures in the Business Rules required separate disaggregations for 1-49 loops and greater than 49 loops. The Company reported separate disaggregations for 1-19 loops and greater than 19 loops as the Company believes the Business Rules contain a typographical error.	<ul style="list-style-type: none"> <li>• PM 6 – Correction of the disaggregation quantities for the electronically submitted UNE xDSL Loop orders has been agreed to in the six-month review. This correction addresses a typographical error introduced when merging the previous version 1.6 PM 6.1 submeasures for UNE xDSL Loops into PM 6. While agreement has been reached, the red-lined business rules distributed to the six-month review collaborative have yet to be updated to reflect this agreement. SBC will continue to report the correct quantity disaggregated results of 1-19 and greater than 19 and will seek to update the distributed red-lined version 1.8 business rules to reflect this agreement of the collaborative.</li> </ul>
4.	PMs 7, 7.1, 10, 10.1, 10.2, 10.3, 11.1, 11.2, 8, and 11	The Company excludes system downtime and weekends and holidays, although not stated in the Business Rules.	<ul style="list-style-type: none"> <li>• PMs 7, 7.1, and 8 – Business Rule updated to state “system processing hours,” referring to CLEC OnLine Web site for the posting of system processing hours.</li> <li>• New PM 10 and updated 11 – Specifies system processing hours for auto/auto and LSC processing hours for auto/manual or manual/manual orders. New 10 replaces, incorporates and deletes current 10, 10.1, 10.2 and 10.3; updated 11 incorporates and deletes 11.1 and 11.2.</li> </ul>

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5.	<b>PMs 7, 7.1, and 8</b>	For transactions processed through LASR, which was implemented on April 20, 2002, the start time for calculating the numerator begins when the order is received by LASR to submit back to the CLEC instead of utilizing the time the order is actually completed within the ordering system.	<ul style="list-style-type: none"> <li>PMs 7, 7.1, and 8 – No changes needed as the current implementation is supported by the Business Rules; however, Business Rule updates were agreed to in the six-month review to clarify language.</li> </ul>
6.	<b>PM 10.4</b>	The Business Rules contain a conflict between the definition section of the PM and the calculation section of the PM. For wholesale orders, the Company is reporting based upon the calculation section of the Business Rules (i.e., the denominator is total orders due in the month and the numerator is jeopardy notices in which the order is due in the month). For retail orders, the Company is reporting in accordance with the definition of the Business Rules (i.e., the denominator is total orders completed in the month and the numerator is jeopardies that were issued on those completed orders).	<ul style="list-style-type: none"> <li>PM 10.4 – Definition updated in the six-month review collaborative to specify orders due in the period, eliminating the conflict with the calculation (definition now matches calculation).</li> </ul>
7.	<b>PM 10.4 and MI 2</b>	The Company excluded retail jeopardy notices that were not sent within 24 hours of the due date from the results. This exclusion is not stated in the Business Rules.	<ul style="list-style-type: none"> <li>MI 2 – Standard of comparison changed to a benchmark, so this interpretation will not be applicable under the new Business Rules.</li> <li>PM 10.4 – Standard of comparison changed to a benchmark, so this interpretation will not be applicable under the new Business Rules.</li> </ul>
8.	<b>PMs 13 and 13.1</b>	Effective with June reporting, the Company began reporting line-sharing as a separate submeasure. This submeasure is not stated in the Business Rules.	<ul style="list-style-type: none"> <li>PMs 13 and 13.1 – Addition of the line-sharing disaggregation was agreed to in the six-month review collaborative.</li> </ul>

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9.	PM 14	<p>The Business Rules state that the retail comparison for unbundled network elements should be “Access.” During the Evaluation Period, the Company utilized Access services billed to AT&amp;T only out of the Carrier Access Billing System as the retail comparison. Subsequent to the Evaluation Period, the Company changed its methodology for calculating the retail comparison for the Other UNE submeasure to be an average of the retail parity results for the other two submeasures (i.e., Resale Monthly Recurring/Non-Recurring and Resale Usage/Unbundled Local Switching).</p>	<ul style="list-style-type: none"> <li>PM 14 – Collaborative agreement was reached to defer discussion of PM 14 to the Billing PM collaborative planned for January.</li> </ul>
10.	PM 15	<p>The Business Rules definition for this PM is “the percent of monthly bills sent to the CLECs via the mechanized AEBS process and the paper billing process that are accurate and complete.” However, the levels of disaggregation are only EDI and BDT. The Company has included bills transmitted and stored by means other than EDI and BDT in the PM result.</p>	<ul style="list-style-type: none"> <li>PM 15 – Wording agreed upon in the six-month review, and added to business rule, specifies that EDI disaggregation include all non-BDT mechanized bills.</li> </ul>
11.	PM 17	<p>The Business Rules state that the number of on-time service orders to be included in the numerator of the calculation should be the number of service orders that reached updated status in 19 cycles or less. The Company reflects a service order as not being on-time if it does not post prior to the first bill cycle to which the service order applies.</p>	<ul style="list-style-type: none"> <li>PM 17 – Business Rule changes agreed to in the six-month collaborative reflect the current implementation.</li> </ul>

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12.	PM 18	Instead of utilizing the time bills that are transmitted to the CLECs in the calculation of billing timeliness, the Company utilized the time the bill file that was created and ready for transmission.	<ul style="list-style-type: none"> <li>The time difference in the automated process between creation of the bill file and transmission of the bill file is typically in seconds. The current implementation has been put in place for reasons of technical efficiency. As the measure is calculated in business days, and the typical delay between bill file creation and transmission is very short, the dates are the same, with only a difference in the time.</li> </ul>
13.	PM 20	During the Evaluation Period, the Company did not include prior months' carrier unbillable dollars in the numerator of PM 20 and also excluded certain carrier messages that were not considered to be "unbillable" usage by the Company. Effective with July reporting, the Company included all current carrier unbillable usage in the numerator.	<ul style="list-style-type: none"> <li>The Company changed the application of the interpretation with June results reported in July to include prior month's unbillable usage.</li> </ul>
14.	PMs 27 and 28	The Company included Centrex orders in the retail comparison for business POTS and UNE-P.	<ul style="list-style-type: none"> <li>All non-CIA Centrex orders have remained in the wholesale business disaggregations. There is no "all Centrex" specific disaggregation to compare retail against wholesale. Centrex is considered to be a business product and is included in Retail Business comparisons unless a separate disaggregation is established for the PM.</li> </ul>
15.	PMs 27-42 and 55-69 and CWI 11	Retail ISDN transactions are included in the retail comparison for both ISDN and POTS business with fieldwork.	<ul style="list-style-type: none"> <li>Ameritech reports "POTS Business" to include non-designed ISDN. The current systems for provisioning non-designed ISDN are the same as for other POTS business products. In order to have an appropriate parity comparison, the same retail orders are included in results used for multiple parity comparisons against wholesale results.</li> </ul>

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<b>16.</b>	<b>PM 28</b>	Although the exclusions listed in the Business Rules for PMs 27 and 28 are the same, the Company is applying the exclusions differently. The due date exclusions are not applied in PM 28 because the Company believes the definition of the PM as stated in the Business Rules is to measure orders completed within the due date when that date is <u>later</u> than or equal to the offered due date. As such, the Company does not believe it appropriate to exclude requested due dates beyond the offer date. Additionally, the denominator for PM 28 in the Business Rules states total orders not subject to exclusions; however, the Company is applying certain exclusions allowed by the Business Rules to the denominator.	<ul style="list-style-type: none"> <li>PM 28 measures installations completed within customer requested due date. Prior to the 2001 six-month review collaborative PM 28 assessed installations against a “within ‘X’ days” standard. With the change to a “within customer requested due date” standard, the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> exceptions should have been deleted, as they clearly conflict with the intent of the PM. Changes have been proposed and accepted in the current six-month review. The 2<sup>nd</sup> and 3<sup>rd</sup> exclusions in the Business Rules have been proposed to be deleted in the six-month review. The collaborative participants have accepted those proposals.</li> </ul>
<b>17.</b>	<b>PMs 29, 45, and 58</b>	The Company is excluding CLEC-caused misses from the numerator but not the denominator as stated by the Business Rules.	<ul style="list-style-type: none"> <li>PMs 29, 45, and 58 – The exclusion of CLEC-caused misses from the numerator only has been clarified and agreed to for each measure in the six-month review changes.</li> </ul>
<b>18.</b>	<b>PM 37.1</b>	The Company reports results for this PM by geographic region, although the Business Rules do not specify to do so. The Company has indicated that this is a mistake in the published Business Rules.	<ul style="list-style-type: none"> <li>PM 37.1 – Business Rule has been updated to specify the disaggregation by geography in the six-month review.</li> </ul>

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<b>19.</b>	<b>PM 40</b>	Although not stated in the Business Rules, the Company excludes customer-requested appointments (i.e., CLEC-extended commitments) and appointments in which the Company was not granted access (i.e., no access) from the calculation of this PM.	<ul style="list-style-type: none"> <li>PM 40 – Exclusions for no access and CLEC-extended commitments have been agreed to and added to the Business Rules in the six-month review.</li> </ul>
<b>20.</b>	<b>PM 44</b>	The Business Rules state that circuits that have a customer-requested due date greater than 20 business days should be excluded from results. The Company has represented that this exclusion relates to the prior version of the Business Rules and was not removed from the current Business Rules by mistake. As such, the Company did not take this exclusion during the Evaluation Period.	<ul style="list-style-type: none"> <li>PM 44 – The exclusion has been eliminated in the agreed-to final red-lined changes from the six-month review.</li> </ul>
<b>21.</b>	<b>PMs 59, 60, and 63</b>	Subsequent to the Evaluation Period, the Company made a determination to exclude certain “C” orders that did not have an “A” action code from reported results. During the Evaluation Period, the Company was excluding these same order types for PMs 55, 55.1, 55.3, 56, 58, 73, 74, 75, 78, WI 9, and CWI 11.	<ul style="list-style-type: none"> <li>Installation indicates the addition of a circuit. PM 59 Business Rule specifically requires the action on the circuit to be an “add.” C orders that do not “add” a circuit are correctly not included.</li> </ul> <p>For consistency between UNE installation PMs, SBC Ameritech included only circuits installed (“add” action code) in these PMs. SBC Ameritech has updated logic to make this implementation consistent across affected UNE PMs.</p>

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22.	<b>PMs 65, 65.1, and 69</b>	The Business Rules state that interconnection trunks should be excluded from the calculations of these PMs but also that interconnection trunks should be reported as a separate level of disaggregation. The Company reported interconnection trunks as a separate level of disaggregation during the Evaluation Period.	<ul style="list-style-type: none"> <li>PMs 65, 65.1, and 69 – SBC’s proposal to delete the disaggregation for interconnection trunks was not agreed to in the six-month review. SBC will continue to report the interconnection trunks disaggregation even though there is an exclusion for it.</li> </ul>
23.	<b>PM 68</b>	The Company excludes transactions coded as “no access” and delayed maintenance, although not stated in the Business Rules.	<ul style="list-style-type: none"> <li>PM 68 – Addition of an exclusion documenting the current “no access” implementation was agreed to in the six-month review collaborative.</li> </ul>
24.	<b>PM 55.3</b>	During the Evaluation Period, the Company did not exclude line-sharing transactions from the results as the Company considered line-sharing transactions xDSL-capable. Subsequent to the Evaluation Period, the Company agreed to exclude line-sharing transactions from the PM based on a new interpretation of the intent of the Business Rules. During the Evaluation Period, it appears the Company considered line-sharing to be xDSL-capable and reported in PM 55.3 as such. However, line-sharing transactions did not exclude loops conditioned through the FMOD process or exclude loops under 12,000 feet due to the lack of system capabilities which would be considered an exception if line-sharing was determined to be included in PM 55.3.	<ul style="list-style-type: none"> <li>PM 55.3 – No changes to the Business Rule needed. Current implementation is in compliance with the Business Rules.</li> </ul>

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25.	PM 56	<p>For the DSL with line-sharing level of disaggregation, the Company excluded broadband DSL line-sharing transactions (i.e., DSL line-sharing transactions in which the Pronto indicator is “1”) from the PM result. Additionally, the Company utilized three days (nonaffiliates) and four days (affiliates) as the standard intervals for DSL with line-sharing. Standard intervals were not provided for this level of disaggregation in the Business Rules.</p>	<ul style="list-style-type: none"> <li>PM 56 – Broadband DSL has been added to the disaggregations of PM 56 through agreement in the six-month review. The results will be reported per the implementation schedule to be included with the joint filings for Commission approval.</li> </ul>
26.	PM 78	<p>The Company excluded non-Ameritech-caused missed due dates from the PM, although this is not provided for in the Business Rules. The Company has indicated that a wording change has been proposed to the Business Rules and has been approved by the CLECs in the most recent six-month review process for this PM.</p>	<ul style="list-style-type: none"> <li>PM 78 – Exclusion for CLEC-caused misses has been agreed to and added in the six-month review.</li> </ul>
27.	PM 80	<p>The Company excludes intercept calls answered by an operator from the Michigan PM results for PM 80. These calls are included for PMs 79 and 81.</p>	<ul style="list-style-type: none"> <li>PM 80 – Intercept calls are appropriate for a Grade of Service measure, but not appropriate for a Speed of Answer measure. An operator does not answer calls that go to intercept. As such, no change required to the Business Rules.</li> </ul>
28.	PM 91	<p>For purposes of applying the exclusion for CLEC-requested due dates outside of industry guidelines, the Company treats all NXXs as if they were previously opened. Thus the standard interval is three days. Therefore, anything outside of four days or more is considered a CLEC-requested due date outside the industry guidelines and is excluded from the PM.</p>	<ul style="list-style-type: none"> <li>PM 91 – Changes have been discussed, agreed to and applied to the Business Rules to exclude any requested due dates greater than three business days and eliminate differentiation based on status of the NXX and the reference to the standards established by NANC. The changes have been agreed to in the six-month review.</li> </ul>

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29.	PM 97	The Company is excluding CLEC-caused misses from the calculation, although this is not stated in the Business Rules.	<ul style="list-style-type: none"> <li>PM 97 – The Exclusions section of the Business Rules has been updated through the six-month review to add CLEC-caused misses as an exclusion.</li> </ul>
30.	PM 98	The Company utilizes a different methodology of reporting trouble within X days of installation for PM 98. PM 98 reports data one month in arrears, whereas other related measures use current month results.	<ul style="list-style-type: none"> <li>PM 98 – The same logic applied for PMs 35, 46, and 59 has now been added to the Business Rules for PM 98 through agreement in the six-month review. The new logic will be implemented based on the schedule to be filed with the Joint Motion for approval of agreed-upon changes.</li> </ul>
31.	PM 109	The Company did not exclude weekends and holidays as stated in the Business Rules, but instead followed the state rules of calendar days. Additionally, the Company reports applications received after 2:00 p.m. as being received on the next business day, although this is not specifically stated in the Business Rules, and the Business Rules state that the clock stops when Ameritech responds back to the application request with a quote; however, not all responses require quotes and Ameritech is reporting all requests as stated in the calculation section of the Business Rules.	<ul style="list-style-type: none"> <li>PM 109 – The Business Rules were changed in the six-month review to correspond to the current implementation: measure against calendar days, eliminate exclusion for weekends and holidays, and add logic to reflect applications received after 2:00 p.m. are marked as received on the following day.</li> </ul>
32.	PMs 110, 111, 113	The Business Rules for PMs 110 and 111 allow for the exclusion of weekends and holidays, but the Company is only excluding weekends and the Company is excluding weekends for PM 113, but this is not stated in the Business Rules.	<ul style="list-style-type: none"> <li>For PMs 110 and 111, the Company implemented the exclusion for weekends and holidays for November 2002 results reported in December 2002. This implementation did not result in a change to the originally reported parity/benchmark performance.</li> <li>PM 113 is not an interval calculation and would not be impacted by an exclusion of weekends and holidays.</li> </ul>

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<b>33.</b>	<b>PMs 114, 115, 115.1, 115.2, and MI 3</b>	During the Evaluation Period, the Company excluded CHC and FDT orders in excess of 24 lines because they are considered projects although no exclusion for projects is allowed by the Business Rules. Additionally, the Company excludes coordinates that require field dispatch and excludes customer-caused jeopardies, although not stated in the Business Rules.	<ul style="list-style-type: none"> <li>• PMs 114, 115.1, 115.2 and MI 3 – A phrase was added to the Business Rule for each of these measures in the six-month review to clarify that a CHC order is limited to 24 lines or less. PM 115 already contained language to this effect. No other PM language changes required as: <ul style="list-style-type: none"> <li>• CLEC – caused delays are excluded from PM 115 by definition.</li> <li>• PM 114 – excludes CLEC-caused delays as it measures only the instances where SBC started the cutover early.</li> <li>• PM 115.1 – not applicable as this is a repair measure.</li> <li>• PM 115.2 – not applicable as this is a repair measure.</li> <li>• MI 3 – includes exclusion for CLEC caused delay in completing cutover.</li> </ul> </li> </ul>
<b>34.</b>	<b>PM 115.1</b>	The Company is excluding nonmeasured trouble reports from the measure.	<ul style="list-style-type: none"> <li>• PM 115.1 – Exclusion for nonmeasured reports agreed to and added to the PM in the six-month review collaborative.</li> </ul>
<b>35.</b>	<b>PMs 117 and 118</b>	The Company excludes disconnects, rehomes, and change code activation notifications (“CANS”), local number telephone portability, foreign NPA NXXs, and code requests from CLECs that do not have an interconnection agreement with the Company, although this is not specifically stated in the Business Rules.	<ul style="list-style-type: none"> <li>• PMs 117 and 118 – No changes proposed or made to address the issue. The current interpretation reflects only NXX loadings that require joint testing to ensure proper coordination of the loading.</li> </ul>

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36.	<b>PM 121</b>	The Company interprets “when Ameritech receives the application” as when they receive the authorization from the CLEC to create a quote (called the “authorized preliminary analysis”). The Business Rules say the start time is when Ameritech receives the BFR application, which is the initial BFR form.	<ul style="list-style-type: none"> <li>PM 121 – The definition and Business Rule have been updated and agreed to in the six-month review collaborative to reflect the current implementation. The measure now defines an authorized Bona Fide request as “authorized preliminary analysis from CLEC” and replaces the term “application” with “authorization.”</li> </ul>
37.	<b>PM CWI 9</b>	The Company utilizes the date/time when the CLEC returns Form C requesting a quote as the start time to calculate the PM interval, instead of utilizing the date Form C is issued to the CLEC as stated in the Business Rules. Additionally, the Company excludes loop-qualified orders requiring modification from this PM. This is a stated exclusion in certain related PMs, but not for PM CWI 9. The Company also excludes cancelled orders in which a Form C was issued, although this exclusion is not stated in the Business Rules.	<ul style="list-style-type: none"> <li>CLEC WI 9 – The Business Rule and the definition have been updated in the six-month review collaborative to reflect the current implementation and now specify that the start time is when Form C is “accepted.”</li> <li>The Version 1.8 performance measures contain a typographical error. The second bullet of the Business Rule stating “Loop Qualified Orders requiring modification” is incorrectly placed in the Business Rule when it is, in fact, an exclusion. Other FMOD PMs (CLEC WI 8, for example) have this text verbatim included as exclusion. SBC will continue to take the exclusion and seek to correct the Business Rules. The correction has been included in the agreed-upon red-lined Business Rules from the six-month review.</li> <li>Form Cs that are not accepted are cancelled and will continue to be excluded, as there is no data to calculate the interval or end-date from and no interval can be computed for comparison against the standard.</li> </ul>
38.	<b>PM WI 9 and all CWI PMs</b>	The Business Rules state that DSL with Lineshare is included in these PMs. The Company excludes DSL with Lineshare from the PMs due to the fact that DSL with Lineshare orders do not utilize the FMOD process.	<ul style="list-style-type: none"> <li>CLEC WIs 6, 7, 8, 9, and 11 – A clarification has been added to the Business Rule section of each PM through the six-month review collaborative to indicate that “DSL with Lineshare orders do not utilize the FMOD process.” Disaggregation for DSL with Lineshare has been deleted from a CLEC WI6 – WI 9 based on this.</li> </ul>

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39.	PM CWI 11	The title of the measure is “FMOD Forms B, C, D, Percentage of Due Dates Met”; however, the calculation section of the Business Rules states that the numerator should be the number of FMOD orders with missed revised due dates. The Company is following the Calculation section of the Business Rules and has noted this on the Web site.	<ul style="list-style-type: none"> <li>• CLEC WI 11 – In the six-month review, collaborative agreement was reached to change the numerator of the calculation from “# of FMOD orders with missed revised due dates” to “# of FMOD orders met.” This now matches the title and definition of the PM.</li> </ul>
40.	PM MI 2	After the Evaluation Period, the Company began excluding FMOD orders as the Company believes it obvious these orders will not be completed within 24 hours and should not be included in results.	<ul style="list-style-type: none"> <li>• MI 2 – Agreement has been reached in the six-month review collaborative to add the exclusion for orders that fall into or are completed through the FMOD process.</li> </ul>
41.	PM MI 3	The Business Rules contain an inconsistency regarding the name of the PM (“Coordinated Conversions <u>Outside</u> of Interval”) and the method of calculation. The Company is calculating the PM utilizing the number of cross connections started within one hour of the scheduled time as stated in the Calculation section of the Business Rules. Additionally, the Company uses as the start time for this measure when a CLEC calls the Local Operation Center (“LOC”) as opposed to the time the central office/translation work begins. Using the CLEC call time should increase the interval for the Company.	<ul style="list-style-type: none"> <li>• MI 3 – SBC is currently implementing in accordance with the calculation and the Business Rule. The text of the performance measurements has been updated and agreed-to in the six-month review to ensure that title, definition, Business Rules and calculation all agree.</li> </ul>
42	PM MI 6, MI 7, and MI 8	The Company did not report Z values for March and April 2002 as these PMs were diagnostic measures. The Company began reporting Z values for these PMs with May 2002 results.	<ul style="list-style-type: none"> <li>• The Company began reporting Z values for these PMs with May 2002 results.</li> </ul>

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43.	PM MI 9	The Business Rules state to utilize total orders processed as the denominator. The Company utilizes total orders completed as the denominator and calculates the numerator as total orders completed minus FOCs sent on those orders.	<ul style="list-style-type: none"> <li>MI 9 – In the six-month review, agreement was reached to consistently use the term “completed” in this PM, which reflects the current implementation.</li> </ul>
44.	PM MI 10	The denominator used in the calculation includes all preorder queries processed; however, the Business Rules require total system responses.	<ul style="list-style-type: none"> <li>MI 10 – In the six-month review, agreement was reached to use the term “number of queries processed” in place of “system responses” in the Business Rule, which reflects the current implementation.</li> </ul>
45.	PM MI 12	During the Evaluation Period, the Company utilized the number of cycles an order was in 3E status multiplied by 1.5, instead of utilizing the date the error was cleared minus the date the order went into error status due to system limitations.	<ul style="list-style-type: none"> <li>MI 12 – Agreement was reached in the six-month review to clarify the Business Rule to confirm that the result should measure the average time to clear service order errors in business days, from the date the ordered went into error condition to the date the error is cleared.</li> </ul>
46.	PM MI 15	Instead of using all changes implemented during the month as the denominator as stated in the Business Rules, the Company captures the number of notification letters sent during the month as the denominator to calculate the number of notifications issued on time.	<ul style="list-style-type: none"> <li>MI 15 – Clarification was added to the MI 15 Business Rules to clarify that the denominator is the total number of notifications sent within the period, and the numerator is the number sent with proper notice (as defined in the SBC 13-State Change Management Policy). The six-month review collaborative participants agreed to this clarification reflecting current implementation.</li> </ul>
47.	PM IN 1	In order to calculate the percent of loop acceptance testing completed on or prior to the order completion date, the Company counts the percentage of orders that were billed to determine the numerator for the calculation, since they are unable to calculate the actual completion date of loop acceptance testing.	<ul style="list-style-type: none"> <li>A completion date for the Loop Acceptance Test (LAT) is not captured separately from the work completion date of the order. The date of the LAT is the date of work completion for the order. A “Y” billing indicator indicates that the LAT was actually performed and completed on the work completion date. If the LAT is not completed, the “Y” billing indicator will not be populated.</li> </ul>

<b>Interpretation Number</b>	<b>PMs Impacted</b>	<b>E&amp;Y Description of Interpretation</b>	<b>SBC Position/Modifications Agreed-To in the Six-Month Review Updates</b>
48.	Various PMs	For parity PMs, the Company does not report affiliate or retail results for a particular level of disaggregation whenever there are no corresponding CLEC results to report for that month.	<ul style="list-style-type: none"> <li>• Various PMs – No change required. However, The Indiana Utility Regulatory Commission has ordered that SBC Indiana report performance for SBC retail and/or affiliate even when there is no wholesale volume. SBC is considering implementing this in all five Midwestern states.</li> </ul>
49.	Provisioning PMs	In certain instances service orders completed at the end of the month are not reported until the following month due to delays in posting to the source systems.	<ul style="list-style-type: none"> <li>• All orders are reported. System processing requirements on occasion result in orders actually completing in one month being reported in the following month. This impacts less than 1% of the orders completed in the calendar month.</li> </ul>

## **EXHIBIT B**

## Report of Independent Accountants

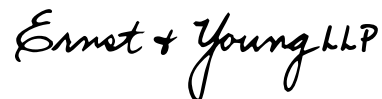
To The Management of  
SBC Communications Inc.

We have examined management's assertion, except for the two assertions identified as E&Y No. IV-11 and IV-14(ii) in Section II of Attachment A of the Report of Management on Changes Implemented to the Reporting of Performance Measurements Pursuant to the Michigan Business Rules<sup>1</sup> ("Report of Management"), regarding the status of any corrective action taken to date to address instances of material noncompliance with the Michigan Business Rules. Management is responsible for the Company's assertion regarding the status of the Company's corrective action. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on management's assertion regarding the Company's compliance with the Business Rules.

In our opinion, management's assertion regarding the status of the Company's corrective action, except with respect to the two assertions identified as E&Y No. IV-11 and IV-14(ii) in Section II of Attachment A of the Report of Management, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Company and the Michigan Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



February 28, 2003

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<sup>1</sup> "Business Rules" refer to Version 1.8\_05\_20\_02 of the Ameritech Performance Measure User Guide as set forth in the Michigan Public Service Commission Order in Docket No. U-11830, as amended.



**Report of Management on Changes Implemented to the Reporting of Performance Measurements Pursuant to the Michigan Business Rules ("Third Corrective Action Report")**

On October 18, 2002, Ernst & Young ("E&Y") issued a Report of Independent Accountants ("October 18, 2002 E&Y Report") on Michigan Bell Telephone Company's (the "Company"), an indirect wholly owned subsidiary of SBC Communications Inc. ("SBC"), compliance of reported performance measures ("PM") with the Business Rules<sup>1</sup> for the months of March, April and May 2002. The October 18, 2002 E&Y Report identified 130 instances of material noncompliance with the Business Rules for the period of March through May 2002.

**Status of the Company's Corrective Action**

**First Corrective Action Report**

On December 19, 2002, E&Y issued an attestation examination report regarding the Company's assertion on the status of corrective action dated December 19, 2002 ("First Corrective Action Report"). In the First Corrective Action Report, the Company identified that 113 of the 130 instances of material noncompliance had been corrected on a prospective basis or did not require corrective action and 17 of the 130 instances of material noncompliance were pending corrective action. Additionally, the Company identified certain instances of material noncompliance that had been corrected on a prospective basis but were not scheduled to be restated until January or February 2003.

**Second Corrective Action Report**

On January 14, 2003, E&Y issued an attestation examination report regarding the Company's assertion on the status of corrective action dated January 14, 2003 ("Second Corrective Action Report"). The Second Corrective Action Report was filed with the Federal Communications Commission on January 16, 2003 and is being filed with the Michigan Public Service Commission in conjunction with this report on February 28, 2003. In Attachment A-Exceptions to Compliance to the Second Corrective Action Report, the Company identified restatements that were made in January 2003 and quantified the impact of those restatements on previously reported results. Additionally, the Company disclosed three new instances of material noncompliance impacting March, April and May 2002 that were not previously noted in prior E&Y reports, two of which had already been corrected by the Company. As of the date of the Second Corrective Action Report, the Company had corrected 115<sup>2</sup> of 133 instances of material noncompliance noted by E&Y and 18 instances of material noncompliance were pending corrective action.

<sup>1</sup> "Business Rules" refer to Version 1.8\_05\_20\_02 of the Ameritech Performance Measure User Guide as set forth in the Michigan Public Service Commission Order in Docket No. U-11830, as amended.

<sup>2</sup> The Company had corrected an additional two instances of material noncompliance but these corrections had not been tested by E&Y as of the date of the Second Corrective Action Report and are not reflected in the total of 115.

In Attachment B-Interpretations to the Second Corrective Action Report, the Company identified certain modifications and agreements to prior interpretations resulting from the then recently-completed Six-Month Review Performance Measurements Collaborative, including changes to PMs CWI 9, 10.4, MI 2 and MI 12.

**Third Corrective Action Report**

The Company makes the following assertions regarding the status of SBC's corrective action as of February 28, 2003:

- **Attachment A, Section I – Exceptions Previously Corrected and Restated on February 5, 2003** – We assert that the restatements identified in Section I of Attachment A to this report are accurate and that results for the periods indicated were recalculated and restated on the Company's Web site on February 5, 2003. Additionally, we assert that the related impact on the Company's previously reported results is accurate.
- **Attachment A, Section II – Corrective Actions Implemented on January 20, 2003 or February 20, 2003** – We assert that the Company has corrected the 10<sup>3</sup> instances of material noncompliance as noted in Section II of Attachment A to this report.
- **Attachment A, Section III – Exceptions Resolved in Six Month Collaborative Review and Implementation Pending** – We assert that the one instance of material noncompliance has been resolved as described in Section III of Attachment A to this report.
- **Attachment A, Section IV – Exceptions in the Process of Being Corrected** – Section IV of Attachment A to this report describes the remaining seven instances of material noncompliance with the Business Rules that are pending corrective action. We assert that the status of corrective actions regarding these exceptions is accurate.
- **Attachment B – Interpretations** – We assert that interpretative matter has been resolved as disclosed in Attachment B to this report.

SBC Communications Inc.

Date: February 28, 2003

By: M. N. Gilliam

Title: Vice President-Long Distance

<sup>3</sup> This number includes the two instances of material noncompliance that were corrected as of the date of the Second Corrective Action Report but not tested by E&Y as of that date.

Report of Management  
Attachment A – Exceptions to Compliance

Below is a listing of exceptions to compliance with the Business Rules for the period of March, April, and May 2002:

E&Y No. <sup>1</sup>	PMs Affected	E&Y Exception Description	SBC Assertion – Response and Corrective Action Status for the Described Exception
<b>I. Exceptions Previously Corrected and Restated on February 5, 2003<sup>2</sup></b>			
III-3(ii)	Ordering 7, 8	Certain orders contained the wrong start time (i.e., if multiple service orders existed on a single LSR, the Company was utilizing the time the first order completed instead of the time the last order completed to determine the start time for the calculation).	The Company’s December 19, 2002 assertion stated that it did not plan to restate for June, July or August 2002. In response to other proceedings, the Company restated June and July 2002 results in February 2003. Restatements did not result in a change in benchmark attainment/failure for PM7. <sup>3</sup> PM8 is a diagnostic measurement, with no benchmark. <sup>4</sup>

<sup>1</sup> The E&Y No. refers to the corresponding section and number in Attachment A of Ernst & Young’s October 18, 2002 Report of Independent Accountants on the Company’s compliance with the Michigan Business Rules.

<sup>2</sup> The following PMs were originally reported in error during March, April and/or May 2002. These results have been corrected for the error noted and the Company has restated prior 2002 data as noted. E&Y has tested the accuracy of the corrective action implemented by the Company through a combination of site visits, computer program code review, transaction testing and analytical review as described in the Supplemental Report dated December 19, 2002.

<sup>3</sup> As used this Attachment A, “a change in benchmark or parity attainment/failure,” means that implementation of the described corrective action or restating reported results would have changed statewide aggregate reported results by either (i) changing a reported “Make” to a “Miss;” or (ii) if the reported result was a “Miss,” it would have degraded by more than 5% of reported results. To be conservative, neither a change from a reported “Miss” to a “Make;” nor an improvement of more than 5% in a reported “Make;” were considered in this analysis.

<sup>4</sup> As used herein, a “diagnostic PM” is a measure that does not contain a benchmark or parity comparison in the Business Rules, Version 1.8 (05\_20\_02). A PM that contains a benchmark or parity comparison, but which are not remedied, are not considered a “diagnostic PM” for this analysis.

<b>E&amp;Y No.<sup>1</sup></b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion – Response and Corrective Action Status for the Described Exception</b>
III-5(i)	Ordering 10.4, MI 2	During March, April and May 2002, the Company incorrectly reported certain UNE loop orders as UNE loops with LNP when they were not LNP orders.	These Performance Measures (PMs) were restated in conjunction with other issues for June 2002 results in February 2003. Restatements did not result in a change in benchmark or parity attainment/failure for PM10.4. The restatement changed the reported result for PM MI2 for only one submeasure, Residence FW. The reported result for that one submeasure changed from 61.90% to 75.47%.
III-5(ii)	Ordering 10.4, MI 2	During March, April and May 2002, the Company did not properly report the percentage of orders given jeopardies when there were multiple due date changes by the CLEC.	These Performance Measures (PMs) were restated in conjunction with other issues for June 2002 results in February 2003. Restatements did not result in a change in benchmark or parity attainment/failure for PM10.4. The restatement changed the reported result for PM MI2 for only one submeasure, Residence FW. The reported result for that one submeasure went from 61.90% to 75.47%.
IV-7(i), (ii), (iii), (v), and (vi)	Ordering 10.4, MI 2	<p>The Company did not apply an exclusion for CLEC-initiated end user codes as stated in the Business Rules. (i)</p> <p>The Company excluded certain wholesale jeopardy transactions processed through LASR from results due to an error in extracting detailed information from a source system. (ii)</p> <p>The Company excluded wholesale LASR transactions in which the scheduled date was erroneously stated as null. (iii)</p> <p>The calculation of the percentage of orders given jeopardy notices within 24 hours of the due date was performed utilizing days instead of minutes, resulting in anything less than 48</p>	These Performance Measures (PMs) were restated in conjunction with other issues for June 2002 results in February 2003 for these five issues. Restatements did not result in a change in benchmark or parity attainment/failure for PM10.4. The restatement changed the reported result for PM MI2 for only one submeasure, Residence FW. The reported result for that one submeasure went from 61.90% to 75.47%.

E&Y No. <sup>1</sup>	PMs Affected	E&Y Exception Description	SBC Assertion – Response and Corrective Action Status for the Described Exception
		<p>hours being considered a pass. (v)</p> <p>The start and stop times were not correct due to not considering the Value Added Network (“VAN”) time. (vi)</p>	
IV-14 (i)	43, 44, 55, 55.1, 55.2, 55.3, 56, 56.1	During May 2002, the Company experienced a problem with a source system utilized to identify LNP with loop orders and application date and loop length which was not populated, which caused some CHC and FDT Michigan data to not be reported.	<p>June 2002 results were restated in February 2003. Restatements did not result in a change in benchmark or parity attainment/failure for PMs 55, 56 or 56.1. The restatement changed the reported results for PM 55.1 for only one submeasure DSL Loops without line sharing, with conditioning. The reported result for that one submeasure went from 9.23 to 11.</p> <p>PMs 55.2 is a diagnostic measurement with no benchmark.</p> <p>This issue did not affect PM 43, 44, or 55.3.</p>
IV-14 (iii) (New)	55, 55.1, 56, 56.1	The transaction indicator used to calculate the measured application date is no longer being populated consistently.	June and July 2002 results were restated in February 2003. Restatements did not result in a change in benchmark or parity attainment/failure for PMs 55 and 56 for June 2002 or 56.1 for June and July 2002. The restatement resulted in a change for the reported results for PM55.1 for June 2002 and July 2002 for one submeasure, DSL Loops without line sharing, with conditioning (went from 9.23 to 11 in June 2002 and 10.64 to 12.32 in July 2002). The restatement resulted in a change for PM56 for July 2002 for two submeasures, UNE – 2 wire analog (11-20) 7 days (went from 89.63 % to 74.64%) and UNE DS1 loops (went from 95.3% to 94.93%); and for PM55 for July 2002 for one submeasure, UNE – 2 wire analog (11-20) (days) (went from 5.34 to 5.87).

E&Y No.	PMs Affected	E&Y Exception Description	SBC Assertion – Response and Corrective Action Status for the Described Exception
<b>II. Corrective Actions Implemented on January 20, 2003 or February 20, 2003<sup>5</sup></b>			
II-A-1f (New)	5, 6	An incorrect clock interval was being used to calculate FOC hours when the start time and end time span two business days. Additionally, September results (manual FOC only) were impacted by a workforce flow manager (“WFM”) system problem and duplicate records are being reported due to an incorrect match logic implementation.	Effective with October 2002 results reported in November 2002, the Company implemented new computer programming code to address these three issues with the release of changes to the LSOG 5 measurement programs. April 2002 through September 2002 results were restated in December 2002 for all three issues. Restatement of PM 5 caused one disaggregation for May 2002 results to drop below benchmark attainment with a change from 95.08% to 94.86% performance. PM 6 (average time to return FOC) is a diagnostic PM, but was restated to be consistent with PM 5.
II-A-2f (ii)	37, 37.1, 54, 54.1, 65 and 65.1	For the denominators of PMs 37, 37.1, 54, 54.1, 65 and 65.1, the unknown product issue has not been corrected.	Effective with December 2002 results reported in January 2003, the computer product table in the Company’s Regulatory Reporting System (RRS) was updated to include these products. The source systems feed is in summary format using the product table to create the denominators. The prior months’ summaries do not contain the unknown products and thus the results cannot be restated.  PMs 37 and 37.1, which measure POTS and UNE-P, are not affected by this issue because the data for POTS and UNE-P in service line counts are not sourced from the WFA inventory data.

<sup>5</sup> Issue IIa 1(f) (new) was incorrectly excluded from the Company’s December 19, 2002 Report, but as noted above corrective action was completed effective with October 2002 results.

<b>E&amp;Y No.</b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion – Response and Corrective Action Status for the Described Exception</b>
II-B-8(i)	9-1-1 104.1	Evaluation Period results contained data errors received from the external vendor (Intrado).	Effective with January 2003 results reported in February 2003, the Company implemented enhancements to match 9-1-1 database unlock records to completed service order records. The Company implemented computer program code enhancements to improve the match rate between unlock records and service order completion data to approximately 96%. This issue is related solely to the reporting of performance measure results and not the actual operational process of unlocking 9-1-1 records. This issue relates to the Company being unable to match all 9-1-1 database unlock records (which reflect that an unlock has occurred) to completed service order records in the Company’s systems in order to calculate the unlock interval. This is a diagnostic PM with no benchmark; therefore, the Company does not plan to restate results for this issue.
IV-3	Ordering 5, 5.2, 6, 7, 7.1, 8, 9, 10, 10.1, 10.2, 10.3, 10.4, 11, 13, 13.1	Certain valid LASR transactions were incorrectly excluded from PM results due to invalid ACNA/Company code values.	Effective with January 2003 results reported in February 2003, the Company implemented new computer programming code to include certain valid LASR transactions that were incorrectly excluded from the PM results because they did not contain a valid CLEC identifier. The transactions will not be reportable to any particular CLEC but will be reported in the aggregate results. The Company does not plan to restate previous months’ results for this issue for the reasons provided in its December 19, 2002 assertions for this issue.
IV-6	7.1, 91	Results for March, April and May 2002 did not exclude CLEC-caused misses from the calculation as required by the Business Rules.	Effective with January 2003 results reported in February 2003, the Company implemented new computer programming code to apply this exclusion. The initial implementation for measure 7.1 will be refined with February 2003 results reported in March 2003. For PM 91, the Company will continue to review the computer programming code for further enhancements to ensure that all CLEC-caused misses are excluded. The impact of not excluding CLEC-caused misses caused an understatement of the Company’s actual performance. The Company does not plan to restate previous months’ results for this issue.

<b>E&amp;Y No.</b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion – Response and Corrective Action Status for the Described Exception</b>
IV-9(ii)	Billing 14	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 audit process.	Effective with December 2002 results reported in January 2003, the Company implemented a methods and procedures update to more accurately capture and report when invalid USOC rates are identified in audit process to ensure that errors confirmed as bill element errors are reported as such in the PM 14 results. No restatements are possible, as this is a process change. Identification of additional errors for the retail results would only cause improvement in the parity comparison because retail results have been reported at 100% for each month, and identification of errors in retail results alone will improve parity comparison performance.
IV-11	Provisioning 27, 28	The Company did not properly identify customer-requested due dates (“CDDD”) during March, April and May 2002. Instead of capturing the actual customer-requested due date, the Company-offered due date was utilized in the calculation only when the requested due date was greater than or equal to the standard offered interval.	Effective with January 2003 results reported in February 2003, the Company implemented a computer program code change to calculate the measured interval appropriately in this calculation for PMs 27 and 28, application date to CDDD. Subsequent to previously filings, PM27 was identified as being impacted by this issue. The Company plans to restate July through December 2002 results for this issue in the second quarter of 2003.
IV-14(ii)	Provisioning 43, 44, 55, 55.1, 56, 56.1	The Company utilized the wrong field to determine the exclusion for customer-requested due dates in excess of the stated time period in the Business Rules.	Effective with December 2002 results reported in January 2003, the Company implemented a computer program code change to calculate the measured interval appropriately in this calculation, application date to CDDD for PMs 43 and 44. Effective with January 2003 results reported in February 2003, the Company implemented a computer program code change to calculate the measured interval appropriately in this calculation for the Lineshare disaggregation only for PMs 55.1, 56, and 56.1. The Company plans to restate July through December 2002 results for this issue in the second quarter of 2003.  PM 55 was not impacted by this issue.

<b>E&amp;Y No.</b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion – Response and Corrective Action Status for the Described Exception</b>
IV-15	Provisioning 55.1, 55.3, 56, 58, 59, 60, 61, 62, 63,65	DSL transactions were not identified by geographic region as required by the Business Rules and, therefore, are not reported in the correct geographic region.	Effective with January 2003 results reported in February 2003, the Company implemented a new computer program code to report these PMs by geographic region for DSL Lineshare disaggs only. This issue regarding geographic disaggregation had no impact on prior reported statewide aggregate results. The Company plans to restate July through December 2002 results for this issue in the second quarter of 2003.
IV-27	Ordering MI 12	The Company excluded wholesale transactions when a field identifying the CLEC was blank.	Effective with January 2003 results reported in February 2003, the Company began including records where the field identifying the CLEC was blank in results. If possible and required, July 2002 through December 2002 results will be scheduled for restatement in the second quarter of 2003. The ability to restate is being evaluated.

E&Y No.	PMs Affected	E&Y Exception Description	SBC Assertion – Response and Corrective Action Status for the Described Exception
<b>III. Exceptions Resolved in Six Month Collaborative Review and Implementation Pending</b>			
IV-1	Preordering 1.2	The denominator for this PM is not calculated in accordance with the Business Rules. The Business Rules state that the denominator should include the total actual loop make-up information responses. The actual denominator includes all DSL orders regardless of whether loop make-up information was obtained. Additionally for the numerator, the method of data collection for this PM does not guarantee that the order was identical to engineering work confirmations as required by the Business Rules. The numerator is calculated by subtracting the number of DSL orders with trouble reported within 10 days of DSL installation from total DSL orders.	This issue was identified in the current, ongoing six-month review collaborative. As a result, the Company filed a joint motion with participating CLECs and the Michigan Public Service Commission Staff on January 17, 2003, which was amended on February 18, 2003, which will introduce a new PM (1.3) and suspend PM 1.2. Results for PM 1.3 and the Company’s performance on providing accurate loop information will be assessed in the future and determination will be made whether or not to delete PM 1.2. This change was approved by the Michigan Public Service Commission on February 20, 2003 in Case No. U-11830. As a result, no restatements of prior results for PM 1.2 are planned. Implementation of PM 1.3 is scheduled for April 2003 results to be reported in May 2003.

E&Y No.	PMs Affected	E&Y Exception Description	SBC Assertion – Response and Corrective Action Status for the Described Exception
<b>IV. Exceptions in the Process of Being Corrected<sup>6</sup></b>			
II-B-8 (ii)	104.1	The Company is not excluding CLEC-caused delayed unlocks because it is not currently technically feasible given the current processes; thus it has not been restated.	Computer program code enhancements are currently scheduled for February 2003 results reported in March 2003. Previously this issue was scheduled to be corrected with January 2003 results reported in February 2003. The Company has experienced a delay in completing the computer program code and testing that has led to the delay in the implementation. It is important to note that the issue is related to the production of performance measure results and not the operational process of unlocking 9-1-1 records. Once implementation occurs, the Company's performance would get better as the exclusion of the CLEC-caused-delayed-unlocks would improve results This is a diagnostic PM with no benchmark; therefore, the Company does not plan to restate results for this issue.
III 10 (ii)	91	CLEC-initiated revisions and orders involving projects were improperly excluded from results	The Company has not implemented new computer programming changes to include projects from LSOG 4 as of the date of this report. Implementation of computer programming code to include LSOG 4 projects is in development. Implementation of this code is scheduled for February 2003 results reported in March 2003. The Company does not plan to restate previous months' results for this issue.

<sup>6</sup> The following PMs were originally reported in error during March, April and/or May 2002. These results have not been corrected for the error noted and the Company has not restated March, April or May 2002 data. E&Y has tested the accuracy of the Company's assertion regarding any quantification of the error in the Supplemental report dated December 19, 2002.

<b>E&amp;Y No.</b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion – Response and Corrective Action Status for the Described Exception</b>
IV 12	28-33	The Company incorrectly reported certain internal orders impacting the CLEC portion of a partially “won back” account as wholesale orders during March, April and May 2002	Effective with February 2003 results reported in March 2003, the Company will implement new computer programming code to exclude internal orders correcting the CLEC account on a partial winback. The Company does not plan to restate prior reported results due to this issue. Partial winbacks comprise approximately 3% to 5% of total winback orders. Removing this small volume of orders from CLEC results is not expected to impact wholesale results.
IV 22	96, 97	For LNP with loop orders, the related order field is not always populated resulting in certain LNP with loop orders being reported as loop orders.	The reason certain LNP with loop orders are being reported as LNP only is the related order field on the LNP order is not always populated with the loop order number. The Company programming code for these PMs looks for the LNP and then its related loop. Effective in February 2003, the Company plans to implement changes to computer program code logic to identify the loop with the related LNP order number and then cross check both ways. No restatements are planned for this specific issue. For these PMs LNP with loop orders were reported, although possibly not in the disaggregation the CLEC expected. The Company does not consider a restatement necessary since the LNP orders were reported and compared to the same benchmark.
IV 28	MI 14	The Company was not able to identify electronic UNE-P transactions and as a result did not report the UNE-P level of disaggregation for electronically processed completion notifications	Implementation of the corrective action is scheduled for February 2003 results reported in March 2003. However, the volume of transactions reported in the resale electronic disaggregation includes the results for both resale and UNE-P tickets. The reported results for the resale electronic disaggregation, which includes UNE-P, exceed the 95% benchmark for each of the last six months (see Section III Issue 16(ii) (New)).

<b>E&amp;Y No.</b>	<b>PMs Affected</b>	<b>E&amp;Y Exception Description</b>	<b>SBC Assertion – Response and Corrective Action Status for the Described Exception</b>
IV 30	WI 1	Customer-caused no access reports were incorrectly included in the numerator of the calculation during March, April and May 2002 resulting in a published result worse than actual results.	The Company has not implemented changes to address this issue as of the date of this report. Implementation of computer programming changes to exclude certain customer-caused no access reports is scheduled to be included in February 2003 results reported in March 2003. Implementation of this correction will improve the Company's actual reported results because excluding customer-caused no access will decrease the numerator. No restatements are planned.
IV 31	C WI 5	The Company did not report data for specials and UNEs during March, April and May 2002	Implementation of computer programming code to include resold Specials and UNEs in PM C WI 5 is scheduled effective with February 2003 results reported in March 2003. Implementation of this correction, which will add two additional products, is not expected to change prior reported results. No restatements are planned. The Company's procedures require technicians to replace a broken or missing Network Interface Device on every provisioning or maintenance visit, both retail and wholesale, for all products. The results indicate no failure of the PM for resale (0)% vs. a 3% benchmark). Therefore, the Company expects the results to be no different when the additional products are added to this measure.

Report of Management

**Attachment B – Interpretations**

In implementing the Business Rules, certain interpretations of the proper application of the Business Rules are made. Below is an update regarding one of the interpretations made by management related to the Company’s application of the Business Rules. Ernst & Young has not considered these interpretations as exceptions to compliance with the Business Rules.

<b>E&amp;Y Interpretation No.</b>	<b>PMs Affected</b>	<b>E&amp;Y Description of Interpretation</b>	<b>SBC Assertion - Response and Modification of the Interpretation</b>
Interpretation-1	Poles, Conduit, and Right of Way 105, 106	The Company excluded weekends and holidays from the calculation, although not specifically stated in the Business Rules.	Effective with January 2003 results reported in February 2003, the Company implemented a revised computer program code to include weekends and holidays in these PM calculations. July through December 2002 results are scheduled to be restated on March 5, 2003.