

TCU4-1U9

KC/HB
RW

TC04-109

DOCKET NO. _____

In the Matter of IN THE MATTER OF THE SECTION 272
BIENNIAL REPORT FOR QWEST
COMMUNICATIONS INTERNATIONAL,
INC.

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
6/21/04	<i>Received</i>
6/23/04	<i>Filed and docketed</i>
6/24/04	<i>Weekly filing</i>
7/23/04	<i>Comments of Qwest Communications International, Inc.</i>
9/23/04	<i>Docket closed as per RW.</i>

June 10, 2004

RECEIVED

JUN 14 2004

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Office of the Secretary
9300 East Hampton Drive
Capitol Heights, Maryland 20743

Section 272 Biennial Report for Qwest Communications International, Inc.
EB Docket No. 03-198

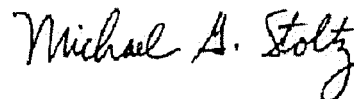
Dear Ms. Dortch:

Pursuant to Section 30(e) of the "General Standard Procedures for Biennial Audits Under Section 272 of the Communications Act of 1934, as amended" in the above referenced matter ("Agreed Upon Procedures"), Ernst & Young is filing our Report of Independent Accountants on Applying Agreed-Upon Procedures with the following appendices:

- Appendix A – Results of Agreed-Upon-Procedures
- Appendix B – General Standard Procedures, Final Procedures dated June 8, 2004
- Appendix C – Comments from Qwest Communications International, Inc.

This document will also be filed electronically through the Federal Communication Commission's Electronic Comment Filing System.

Sincerely,



Michael G. Stoltz
Partner

cc: Arizona Corporation Commission North Dakota Public Regulation Commission
Colorado Public Utilities Commission Oregon Public Utility Commission
Idaho Public Utilities Commission South Dakota Public Utilities Commission
Iowa Utilities Board Utah Public Service Commission
Minnesota Public Utilities Commission Washington Utilities & Transportation Commission
Montana Public Service Commission Wyoming Public Service Commission
Nebraska Public Service Commission Qwest Communications International, Inc.
New Mexico Public Regulation Commission

ASSURANCE AND ADVISORY
BUSINESS SERVICES

 **ERNST & YOUNG**

Qwest Communications International, Inc.

Report of Independent Accountants on Applying Agreed-Upon Procedures

June 8, 2004

Binder 1

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¹ All documents listed in the Table of Contents are include in Binder 1, with the exception of Appendix A Attachments A-10 and A-11 which are included in Binder 2.

OBJECTIVE VIII. Determine whether or not the BOC and an affiliate subject to Section 251(c) of the Act have fulfilled requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or its affiliates. 34

OBJECTIVE IX. Determine whether or not the BOC and an affiliate subject to Section 251(c) of the Act have made available facilities, services or information concerning its provision of exchange access to other providers of interLATA services on the same terms and conditions as they have to their affiliate required under Section 272 that operates in the same market. 41

OBJECTIVE X. Determine whether or not the BOC and an affiliate subject to Section 251(c) of the Act have charged its separate affiliate under Section 272, or imputed to itself (if using the access for their provision of their own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service. 44

OBJECTIVE XI. Determine whether or not the BOC and an affiliate subject to Section 251(c) of the Act have provided any interLATA facilities or services to its interLATA affiliate and made available such services or facilities to all carriers at the same rates and on the same terms and conditions, and allocated the associated costs appropriately. 47

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Appendix B – General Standards Procedures, Final Procedures

Appendix C – Comments from Qwest Communications International, Inc.

Report of Independent Accountants on Applying Agreed-Upon Procedures

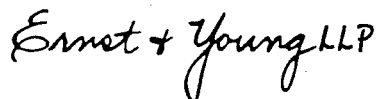
To the Management of Qwest Communications International, Inc.
And the Joint Federal/State Oversight Team

We have performed the procedures enumerated in Appendix B, which were agreed to by management of Qwest Communications International, Inc. ("QCII") and the Joint Federal/State Oversight Team ("Joint Oversight Team")¹ (collectively, the "Specified Parties"), solely to assist these specified parties in evaluating QCII's compliance with the requirements of Section 272 of the Communications Act of 1934, as amended ("Section 272 Requirements"),² during the period from January 2, 2003 to January 1, 2004 ("the Engagement Period"). QCII's management is responsible for compliance with the Section 272 Requirements. This engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Specified Parties of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Appendix B either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results obtained are documented in Appendix A. These procedures and the results are not intended to be a legal interpretation of the regulatory rules, regulations or requirements.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on QCII's compliance with the Section 272 Requirements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of QCII and the Joint Oversight Team, 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.



June 8, 2004

¹ The "Joint Oversight Team" is composed of staff members from 12 state regulatory agencies and the Federal Communications Commission ("FCC"). Qwest Corporation operates in the following 14 states: Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming. Staff members from the state regulatory agencies of the states of Minnesota and Oregon did not participate in the Joint Federal/State Oversight Team.

² These requirements are contained in 47 U.S.C. Section 272(b), (c) and (e) of the Communications Act of 1934, as amended (the "Act"), and in 47 C.F.R. Section 53.209(b) of the Federal Communications Commission's rules and regulations.

APPENDIX A

Results of Agreed-Upon Procedures

OBJECTIVE I. Determine whether the separate affiliate¹ required under Section 272 of the Act has operated independently of the BOC.²

1. Obtained³ and inspected the certificates of incorporation⁴ and bylaws of Qwest Communications Corporation (“QCC”) and Qwest LD Corp. (“QLDC”), (collectively “the Section 272 affiliates”).⁵ Noted that QLDC was established as a Delaware corporation as of September 11, 2002. Obtained and inspected the restated certificate of incorporation for Southern Pacific Telecommunications Company (“SPT”) and Certificate of Amendment changing SPT’s name to QCC on April 6, 1995. Qwest Corporate management⁶ represented that SPT was originally established as a Delaware corporation under the name of Evergreen Leasing Corporation and the name was changed

¹The term “affiliate” shall refer to a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For this purpose, the term “own” means to own an equity interest (or the equivalent thereof) of more than 10 percent. (See Section 3 of the Communications Act of 1934, as amended.)

² “BOC” refers to Bell Operating Company. If the BOC transfers or assigns to an affiliated entity ownership of any network elements that must be provided on an unbundled basis pursuant to Section 251(c)(3), such entity shall be subject to all of the requirements of the BOC. For purposes of this engagement, in the event that the BOC provides exchange and/or exchange access services on a retail or wholesale basis exclusively through one or more of its subsidiaries or affiliates, or through one or more other subsidiaries, divisions, etc., of the parent Regional Holding Company, and the same services cannot be purchased directly from the BOC, then these entities shall also be subject to all of the relevant nondiscriminatory requirements of Objectives VII through XI of this document. Affiliates that merely resell the BOC’s exchange services and/or exchange access services or lease unbundled elements from the BOC, or engage in permissible joint marketing activities (see Section 272(g)(1) of the Act), shall be excluded from these requirements.

³ For purposes of this engagement, the term “obtained” referred to in Appendix A and “obtain” as referred to in the procedures listed in Appendix B, shall mean that E&Y physically acquired, and generally retained in the working papers, all documents supporting the work effort performed to adequately satisfy the requirements of a procedure. E&Y used professional judgment to decide which items were too voluminous to include in the working papers. E&Y included a narrative description of the size of such items as well as any other reasons for their decision not to include them in the working papers.

⁴ Delaware General Corporation Law refers to articles of incorporation as certificates of incorporation.

⁵ The term “separate affiliate” or “Section 272 affiliate” includes the following companies: Qwest LD Corp., Qwest Communications Corporation and any other affiliate of Qwest Communications International, Inc. (“QCII”) that originates interLATA telecommunications services in the QCII region that is subject to Section 272 separation requirements, and any affiliate that engages in manufacturing activities as defined in Section 273(h).

⁶ The term “Qwest Corporate management” refers to individuals employed by Qwest Services Corporation (“QSC”) who have been given authority to make representations for all Qwest corporate entities.

Qwest Communications International, Inc.

Report of Independent Accountants on Applying Agreed-Upon Procedures

June 8, 2004

Binder 1

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And the Joint Federal/State Oversight Team

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Ernst & Young LLP

June 8, 2004

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² “BOC” refers to Bell Operating Company. If the BOC transfers or assigns to an affiliated entity ownership of any network elements that must be provided on an unbundled basis pursuant to Section 251(c)(3), such entity shall be subject to all of the requirements of the BOC. For purposes of this engagement, in the event that the BOC provides exchange and/or exchange access services on a retail or wholesale basis exclusively through one or more of its subsidiaries or affiliates, or through one or more other subsidiaries, divisions, etc., of the parent Regional Holding Company, and the same services cannot be purchased directly from the BOC, then these entities shall also be subject to all of the relevant nondiscriminatory requirements of Objectives VII through XI of this document. Affiliates that merely resell the BOC’s exchange services and/or exchange access services or lease unbundled elements from the BOC, or engage in permissible joint marketing activities (see Section 272(g)(1) of the Act), shall be excluded from these requirements.

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⁶ The term “Qwest Corporate management” refers to individuals employed by Qwest Services Corporation (“QSC”) who have been given authority to make representations for all Qwest corporate entities.

to SPT on March 20, 1989. Determined that the Section 272 affiliates were established as corporations separate from the Qwest BOC.⁷

2. Obtained and inspected the corporate entities' organizational charts of the Qwest BOC, Section 272 affiliates and QCII. Obtained written confirmations from legal representatives of the Qwest BOC, Section 272 affiliates and QCII that confirmed the legal, reporting and operational corporate structure of the Section 272 affiliates. Noted that the organizational charts and written confirmations obtained from legal representatives of the Section 272 affiliates stated that QCC and QLDC are wholly owned subsidiaries of Qwest Services Corporation ("QSC"). Noted that the organizational charts and written confirmations obtained from legal representatives of the Qwest BOC stated that the Qwest BOC is a wholly owned subsidiary of QSC. QSC is a wholly owned subsidiary of QCII and QCII is the parent of all Qwest companies and is the publicly traded entity. An organization chart depicting these affiliate relationships is shown on Attachment A-1.
3. Inquired of management, and noted that no affiliated entities perform operating, installation and maintenance functions ("OI&M") on facilities owned by the Section 272 affiliates or leased from a third party by the Section 272 affiliates.
 - a. Obtained management's definition and interpretation of OI&M functions. Qwest's management defines OI&M based on the guidance contained in paragraph 158 of the Non-Accounting Safeguards Order⁸ and relies on the common meaning of the words in paragraph 158. Qwest uses the definition of OI&M to generally include all activity related to installing, operating, and maintaining (e.g., making repairs to) switching and transmission facilities subject to section 53.203(a)(1).⁹ Qwest uses this OI&M definition in its decision-making and internal procedures for deciding if a particular service constitutes OI&M through the 272 Compliance Oversight Team¹⁰ which reviews any request for services between the Qwest BOC and the Section 272 affiliates in order to determine whether the requested service constitutes operating, installation or maintenance functions. Qwest Corporate

⁷ "Qwest BOC" includes Qwest Corporation and any successor or assign of such company as described in footnote 2 above. The term "ILEC" ("Incumbent Local Exchange Carrier") includes Qwest Corporation and any successor or assign of such company as described in footnote 2 above.

⁸ The "Non Accounting Safeguards Order" refers to *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, CC Docket No. 96-149, First Report And Order And Further Notice Of Proposed Rulemaking, released December 24, 1996.

⁹ See *Petition of Verizon for Forbearance from the Prohibition of Sharing Operating, Installation, and Maintenance Functions Under Section 53.203(a)(2) of the Commission's Rules*, CC Docket No. 96-149, Memorandum Opinion and Order, FCC 03-271, n.13 (2003).

¹⁰ The 272 Compliance Oversight Team is made up of Qwest BOC and QSC employees from Regulatory Accounting, Regulatory Finance, and Policy and Law, who continually monitor the Qwest BOC and the Section 272 affiliates to ensure that the Section 272 rules are being followed.

management represented that this is a fact-specific inquiry determined on a case-by-case basis.

- b. The Qwest BOC represented that the Qwest BOC and/or other non-Section 272 affiliates did not perform the above-described OI&M services on facilities either owned by the Section 272 affiliates or leased from a third party by the Section 272 affiliates during the Engagement Period.
 - c. The Section 272 affiliates represented that they did not perform the above-described OI&M services on facilities either owned by the Qwest BOC or leased from a third party by the Qwest BOC during the Engagement Period.
4. The Qwest BOC represented that it did not provide or offer research and development activities or services to the Section 272 affiliates or unaffiliated entities during the Audit Test Period.¹¹
 5. Obtained the balance sheet of QLDC as of the end of the Audit Test Period. Noted that QLDC owned no fixed assets as of September 30, 2003. Obtained the trial balance of QCC as of September 30, 2003 and obtained a detailed listing of all fixed assets including capitalized software, capitalized leases and a detailed listing of all fixed assets covered in the operating leases between QCC and Qwest N. Limited Partnership (“QNLP”), (collectively “fixed asset listings”). Obtained the balance sheet of QCC as of October 31, 2003. QCC represented that the balance sheet for QCC was not available until October 31, 2003 due to issues resolved by the QCII 2001 and 2002 financial statement restatements that were released in October 2003.
 - a. Noted that the fixed asset accounts listed on the QCC trial balance as of September 30, 2003 totaled \$1,055,086,948. Reconciled this amount based on data provided by Qwest to the total of the fixed asset listings of \$8,101,052,928, as of September 30, 2003. The reconciliation is shown on Attachment A-2. The reconciling items are as follows:
 - Work-in-Process assets recorded as a credit balance of \$352,360,935 in the QCC Trial Balance were not included in the fixed asset listings.
 - Assets Held for Future Use recorded as a credit balance of \$11,000,000 in the QCC Trial Balance were not included in the fixed asset listings.
 - Inventory assets totaling \$76,000,000 in the group of accounts identified as Fixed Assets in the QCC Trial Balance were not included in the fixed asset listings.

¹¹ The “Audit Test Period” is defined in the procedures as January 2, 2003 to September 30, 2003. The “Engagement Period” is defined in the procedures as January 2, 2003 to January 1, 2004.

- Land assets totaling \$6,100,000 in the QCC Trial Balance were not posted to the fixed asset listings as of September 30, 2003.
 - Accumulated Depreciation totaling \$214,873,331 in the group of accounts identified as Fixed Assets in the QCC Trial Balance was not included in the fixed asset listings.
 - As a result of the QCII financial statement restatements for 2001 and 2002, QCC recorded a total credit to fixed assets for restatements and asset impairment of \$6,549,000,000. This adjustment was reflected in the Trial Balance but has not yet been recorded in the fixed asset listings. QCC represented that the restatement and impairment adjustment impacted all fixed asset subaccounts.
 - QCC represented that the unreconciled amount of \$831,714 was due to rounding.
- b. From the fixed asset listings obtained above, identified 62,847 capital items acquired after the merger of Qwest and US WEST on July 1, 2000. From all assets acquired after July 1, 2000, randomly selected a sample of 100 assets and verified that the detailed fixed asset listing for the selected assets included a description and location for each asset, date of purchase, price paid and recorded, and from whom purchased or transferred. Noted that 99 of the 100 selected assets included data in all the fields listed above. Noted one selected asset, which QCC identified as part of a computer equipment reclassification for \$6.10, did not include data in the “from whom purchased or transferred” field.
- c. From the fixed asset listings obtained above, identified 54,249 transmission and switching assets¹² acquired after the merger of Qwest and US WEST on July 1, 2000. Randomly selected a sample of 100 transmission and switching assets and obtained documentation that revealed ownership of the asset. For 93 of the 100 assets tested, obtained documentation that revealed ownership of the asset by QCC or QLDC. For one asset, noted that the asset consisted of minor items that were capitalized in a project sponsored by QSC. For 6 of the 100 assets, documentation provided did not conclusively indicate that QCC or QLDC owned the asset. Noted that there was no documentation for all assets tested that indicated joint ownership of the assets by the Section 272 affiliates and the Qwest BOC.
- d. Except as noted above, all information and documentation required for the execution of Objective I, Procedure 5 was made available by the Section 272 affiliates.

¹² Transmission and switching assets are those assets, including capitalized software, used to provide local exchange and exchange access services, as well as the land and buildings where those assets are located.

OBJECTIVE II. Determine whether the separate affiliate required under Section 272 of the Act has maintained books, records and accounts in the manner prescribed by the Commission that are separate from the books, records and accounts maintained by the BOC.

1. Obtained the general ledger of QLDC for the Audit Test Period. Obtained the general ledger for QCC for September 30, 2003. The general ledger for QCC covering all the activity for the Audit Test Period was not retained due its voluminous nature. QCC represented that the QCC general ledger for the Audit Test Period included a journal line count of 2,344,281 lines, compared to the QLDC journal line count of 19,899 for the Audit Test Period. Matched the title on the QCC and QLDC general ledger with the names of the Section 272 affiliates on their certificates of incorporation and determined that a separate general ledger was maintained for each Section 272 affiliate. Reviewed the unit codes on Section 272 affiliates' general ledgers and noted that they are defined as the unit codes for the Section 272 affiliates. No special codes linking the Section 272 affiliates' general ledgers to the Qwest BOC general ledger were noted on the Section 272 affiliates' general ledgers. Noted that the Section 272 affiliates' general ledgers are maintained on a separate system platform from the general ledger of the Qwest BOC.
2. Obtained QCC's trial balance and QLDC's financial statements and a listing of the lease agreements as of the end of the Audit Test Period, September 30, 2003. Also obtained financial statements for QCC as of October 31, 2003, following the restatement of QCII financial statements for the years ended December 31, 2000 and December 31, 2001 and the filing of QCII's 10-K with the Securities and Exchange Commission for the years ended December 31, 2000, December 31, 2001 and December 31, 2002 on October 16, 2003. Identified 27 leases, entered into after the Qwest and US WEST merger on July 1, 2000, for which the annual obligation listed in the lease agreement is \$500,000 or more. Tested leases for which the Section 272 affiliate was either lessor or lessee. For 27 leases with annual obligation greater than \$500,000, noted the terms and conditions and determined that the leases were accounted for in accordance with generally accepted accounting principles ("GAAP") during the Audit Test Period except for certain transactions related to one lease, as described below:
 - One lease tested an indefeasible right to use ("IRU") agreement in which QCC was the lessee or purchaser, had three separate subagreements, each requiring different accounting treatments.
 - The first subagreement of this IRU required an upfront payment at lease inception by QCC. This upfront payment was capitalized at lease inception and amortized over the life of the lease. Noted that the amortization expense recorded during the Audit Test Period was based on the restated value of the initial prepaid amount. This lease was restated due to impairment that was recognized in the financial statements for the year ended December 31, 2002. Adjustments were recorded

during the Audit Test Period to reflect the restated balance of this capitalized lease as of January 1, 2003. This subagreement of the IRU was accounted for in accordance with GAAP during the Audit Test Period.

- The second subagreement of this IRU relates to additional monthly recurring charges invoiced by the lessor to QCC. Noted that during the Audit Test Period the monthly recurring charges invoiced by the lessor did not agree to the amounts expensed by QCC. The total amount invoiced to QCC and paid by QCC was \$614,675 compared to the amount QCC recorded as expense of \$848,600. Also noted a difference of \$3,190 between the monthly recurring charges invoiced to QCC in September 2003 and the monthly recurring charges listed in the lease agreement.
 - The third subagreement related to an additional product order added to the lease that qualified for capitalization since the length of the additional product order equaled the economic life of the asset leased. For several months of the Audit Test Period, noted that monthly amounts billed for this product order by the lessor were less than the amounts recorded and paid by QCC. Noted that, during the Audit Test Period, QCC did not record amortization entries to reduce the deferred asset established when this lease was capitalized, as required by GAAP. QCC represented that the amortization of this subagreement was inadvertently omitted from the monthly amounts booked for this lease. The omission was discovered in November 2003. QCC represented that the amortization amounts that should have been booked during the Audit Test Period totaled \$905.71 per month.
3. Obtained the written policies and procedures of the Section 272 affiliates for complying with the requirement to maintain their books, records and accounts in accordance with GAAP.
 4. Qwest management represented that the audit of the QCII consolidated financial statements for the year ended December 31, 2003, which includes QCC and QLDC, is in process as of the date of this draft report. Additionally management represented that they are not aware of any noncompliance with GAAP identified through the audit or internal investigation as it relates to the unaudited financial statements of QCC and QLDC initially provided in response to Objective I, Procedure 5 and Objective II, Procedure 2. Management noted that, as part of its December 31, 2003 financial statement preparation and review, certain adjustments and reclassifications were identified that impacted the unaudited balance sheet of QCC previously provided. A revised balance sheet as of October 31, 2003 for QCC that reflects these adjustments and reclassifications has been provided.

5. Inquired and documented, in the workpapers, the steps that Qwest management performed to represent in its representation letter to the independent auditor that the Section 272 affiliate complied with GAAP during the Engagement Period.
6. QCC represented that it started offering or provisioning in-region interLATA services on November 3, 2003 in the states where Section 271 approval had been received. Qwest Corporate management represented that QCC and QLDC have not yet merged as of the date of this report.

OBJECTIVE III. Determine whether the separate affiliate required under Section 272 of the Act has officers, directors and employees that are separate from those of the BOC.

1. Inquired and documented that each Section 272 affiliate and the Qwest BOC maintain separate boards of directors, separate officers, and separate employees. Obtained a list of the names of directors and officers of the Qwest BOC and the Section 272 affiliates, including the dates of service for each Board member and officer who served during the Engagement Period. Compared the list of the names of directors and officers of the Qwest BOC with the list of the names of directors and officers of each Section 272 affiliate. Noted no names appearing on both the Qwest BOC and the Section 272 affiliates lists of directors and officers. Also noted that there were no directors or officers who simultaneously served as a director or officer of the Section 272 affiliates and the Qwest BOC.

2. Obtained listings of all employee names and social security numbers of the Qwest BOC, QCC and QLDC for the Audit Test Period. Ran a query comparing the names and social security numbers from each listing. The query produced the names of nine employees appearing on the employee listings of the Qwest BOC and QCC during the Audit Test Period. Obtained documentation from the Human Resources Departments that indicated that the nine employees appearing on both lists terminated employment with one affiliate before starting employment with the other affiliate. Determined that no employees appeared on the both listings simultaneously during the Audit Test Period.

OBJECTIVE IV. Determine that the separate affiliate required under Section 272 of the Act has not obtained credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the BOC.

1. QCC represented that it had one external debt agreement, a public debt offering totaling \$350,000,000 that was outstanding during the Engagement Period. Obtained and reviewed a copy of the prospectus issued March 10, 1997 related to this debt issuance and noted no guarantees of recourse to the Qwest BOC assets, either directly or indirectly through another affiliate. The Section 272 affiliates represented that they had no credit arrangements with unaffiliated major suppliers of goods and services during the Engagement Period.

Documented that QCC and QLDC had intercompany loan agreements with an affiliate, Qwest Capital Funding, effective during the Engagement Period. Reviewed the Section 272 affiliates' intercompany loan agreements and noted no guarantees of recourse to the Qwest BOC assets, either directly or indirectly through another affiliate.

2. For the lease agreements obtained in Objective II, Procedure 2 between the Section 272 affiliates and unaffiliated entities, reviewed the lease agreements and noted that there were no instances in which a Section 272 affiliate's lease agreement had recourse to the Qwest BOC assets either directly or indirectly through another affiliate.
3. From the listing of lease agreements obtained in Objective II, Procedure 2 that were in effect as of September 30, 2003, identified 70 lease agreements that had annual obligations greater than \$500,000. Confirmed with the Section 272 affiliates that no additional leases with annual obligations greater than \$500,000 were entered into between September 30, 2003 and January 1, 2004. For these 70 leases and a judgmental sample of ten leases with annual obligations less than \$500,000 that were in effect as of September 30, 2003 requested positive written confirmation that the lessors had no recourse, either directly or indirectly, to the assets of the Qwest BOC. As discussed with and agreed to by the Joint Oversight Team, confirmations were not requested for intercompany loan agreements or leases between the Section 272 affiliates and the Qwest BOC or other Qwest affiliates. No confirmation was sent with respect to the public debt offering discussed in Objective IV, Procedure 1 above since the debt was issued prior to the Qwest/US WEST merger. The Section 272 affiliates represented that there are no credit arrangements with vendors or other third parties and no confirmations were sent. Of the 80 confirmations sent; received 23 replies that positively confirmed that the lessor has no recourse, either directly or indirectly, to the assets of the Qwest BOC and received seven replies in which the lessor refused to provide a confirmation or requested additional information.

OBJECTIVE V. Determine whether the separate affiliate required under Section 272 of the Act has conducted all transactions with the BOC on an arm's length basis with the transactions reduced to writing and available for public inspection.

OBJECTIVE VI. Determine whether or not the BOC has accounted for all transactions with the separate affiliate in accordance with the accounting principles and rules approved by the Commission.

Note: Objectives V and VI are tested concurrently and share the same standards and procedures.

1. Documented, in the workpapers, the procedures used by the Qwest BOC to identify, track, respond and take corrective action concerning competitors' complaints relating to alleged violations of the Section 272 requirements.

The Qwest BOC represented that none of the following types of complaints, involving alleged noncompliance with the Section 272 requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities and information, or in connection with the establishment of standards, were filed during the Engagement Period:

- FCC formal complaints, as defined in 47 CFR 1.720;
- FCC informal complaints, as defined in 47 CFR 1.716; and
- Written complaints made to a state regulatory commission from competitors.

Also, the Qwest BOC represented that no complaints were received during the Engagement Period with respect to:

- Allegations of cross-subsidies (for Objectives V and VI);
- Allegations of discriminatory provision or procurement of goods, services, facilities, customer network services information (excludes customer proprietary network information ("CPNI")), or the establishment of standards (for Objective VII);
- Allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and discriminatory resolution of network problems (for Objective VIII);
- Allegations of discriminatory availability of exchange access facilities (for Objective IX); and
- Allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliate (for Objective XI).

2. Obtained from the Qwest BOC and each Section 272 affiliate current written procedures for transactions with affiliates and compared these procedures with the following FCC rules and regulations:
- 47 C.F.R. §§ 32.27, 53.203(e), and 64.901;
 - *Implementation of the Telecommunication Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996*, CC Docket No. 96-150, Report and Order, 11 FCC Rcd. 17,539, at ¶¶ 122, 137, 183, and 265 (rel. December 23, 1996) (“Accounting Safeguards Order”);
 - *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, CC Docket No. 96-149, First Report and Order and Further Notice Of Proposed Rulemaking, at ¶¶ 180, 193, and 218 (rel. December 24, 1996), (“Non-Accounting Safeguards Order”); and
 - *2000 Biennial Regulatory Review—Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2; Amendments to the Uniform System of Accounts for Interconnection; Jurisdictional Separations Reform and Referral to the Federal-State Joint Board; Local Competition and Broadband Reporting*, CC Docket Nos. 00-199, 97-212, 80-286, and 99-301, Report and Order in CC Docket Nos. 00-199, 97-212, and 80-286 (*Phase II Report and Order*), Further Notice of Proposed Rulemaking in CC Docket Nos. 00-199, 99-301, and 80-286, FCC 01-305 (rel. November 5, 2001) (*Further Notice of Proposed Rulemaking*), at Appendix F, Section 32.27.

Noted that the Qwest BOC’s and the Section 272 affiliates’ written policies and procedures addressed the above FCC rules and regulations.

3. Inquired and documented how the Qwest BOC and each Section 272 affiliate disseminate the FCC Rules and Regulations and raise awareness among employees for compliance with the affiliate transaction rules. Obtained an overview of Qwest’s compliance organization. Affiliate compliance is part of the overall Corporate Compliance¹³ and Regulatory Compliance¹⁴ groups at Qwest. The Corporate Compliance group manages, interprets, receives reports of potential wrongdoing and enforces Qwest’s Code of Conduct and Corporate Policies, which provide the foundation for Qwest’s standards for employee conduct. Corporate Compliance typically covers employee obligations that arise out of employment itself and apply across multiple business units. The Regulatory Compliance group provides compliance advice, information and training to Qwest employees related to federal and state telecommunications regulations. In addition, Qwest has a Regulatory Accounting group and a 272 Compliance Oversight Team. The

¹³ The Corporate Compliance group is made up of employees of QSC.

¹⁴ The Regulatory Compliance group is made up of employees of QSC and the Qwest BOC.

Regulatory Accounting group is primarily responsible for compliance with FCC accounting rules. The 272 Compliance Oversight Team is made up of representatives from Regulatory Accounting, Regulatory Finance, and Policy and Law, who continually monitor the Qwest BOC and the Section 272 affiliates to ensure that the Section 272 rules are being followed.

Noted the following list of Section 272 compliance training programs and information distributed to employees:

- The Corporate Code of Conduct Training is required of all employees of all Qwest affiliates. The Corporate Compliance Code of Conduct Employees Booklet is provided online on Qwest's corporate-wide internal website. The Code of Conduct Employee Booklet includes coverage on affiliate transactions as well as the other requirements concerning appropriate employee behavior to ensure Section 272 compliance. It provides framework and resources to help employees make the right legal and ethical choices. This booklet contains language specific to the Qwest BOC's Section 272 obligations to ensure all employees understand the rules and regulations.

Newly hired employees are required to complete this training within 10 business days of their starting date. All employees are required to annually certify their understanding of and compliance with company policies. All employees must annually sign a Code of Conduct Acknowledgment form that is submitted online. The Corporate Compliance group maintains a record of employees that sign-off. If an employee does not have access to the online site, the employee's supervisor must print out the document. After the employee reviews the document, the employee and the supervisor must then both sign the printed version and place it in the employee's personnel file. The supervisor must then submit online a Supervisor Acknowledgment Form attesting that the employee completed the training.

- All Employee Section 272 Compliance Training is provided on Qwest's corporate-wide internal website. The training is for all employees but includes specific sections targeted to QC, QLDC, QSC, and Wholesale employees¹⁵. The training emphasizes the Section 272 transaction and nondiscrimination requirements and provides references for additional information. The 272 Training has an Overview Section and a Details Section. Before each of these sections is a pretest that allows the employee to bypass the section if they achieve 100% on the pretest. At the end of the training, a post-test is given that reinforces the training material again. If an employee incorrectly answers a question, they are

¹⁵ "Wholesale employees" are employees of the Qwest BOC or QSC that interface with external customers, QCC and QLDC for new service, processes, policy, maintenance and reporting issues.

immediately told why they missed the question and where they can go in the training for further review. Corporate Compliance maintains reports that show each employee's score on the post-test.

This training was developed and distributed by QSC to employees in November 2002 and is required annually for all employees.

- Corporate Compliance Advice Hotline is available to all employees for reporting all compliance issues and for reporting any suspected violations of Section 272. The hotline number is 1-800-333-8938 and the email address is: advice.line@qwest.com. This email address is able to receive requests from both internal and external Internet addresses. The Regulatory Compliance group is responsible for responding to the hotline and emailed requests. Any employee can call the hotline number anonymously for answers to corporate compliance questions or to report suspected violations.
- The email address, ask272@qwest.com, is available for employees to use to ask Section 272 related questions. This email address is able to receive requests from both internal and external Internet addresses. When a question is submitted to the website, the employee will receive an auto response indicating that the employee should receive a response within five days. The emails are sent to persons within the Regulatory Finance group who research the answers and respond.
- Customized Section 272 Training for Qwest BOC and QSC Network Department leaders is provided periodically to ensure that they understand and comply with the OI&M prohibitions of Section 272. Most recently, this training was held in the fourth quarter of 2003. This training is provided by a representative of the Qwest Legal group.¹⁶
- Wholesale Employee Training is customized training delivered to ensure wholesale employees' understanding of the Section 272 obligations and the processes in dealing with long distance carriers. This training was provided by QSC in 2001 to Wholesale employees and then again in 2002 and 2003 to Wholesale employees specifically supporting QCC and QLDC. This training is scheduled for the third quarter of 2004.
- Legal Website/Internal Section 272 website includes a link to the Internal 272 Compliance page posted on Qwest's corporate-wide intranet website. The Internal 272 Compliance page provides a site for all employees to access information about the Section 272 rules including training materials, contact information, processes and forms.

¹⁶ The Qwest Legal group is made up of employees of QSC.

- FCC/Regulatory Compliance Managers¹⁷ Training Sessions are held by Regulatory Compliance managers for all business units to answer questions or concerns related to the Section 272 rules. This training is conducted on an “as needed” basis for employees or groups of employees.
- The Methods for Affiliate Transactions (“MAT”) manual includes Section 272 specific instructions for employees involved in affiliate transactions. The MAT manual is provided online on Qwest’s internal website. All employees that are involved in affiliate billing are required to follow the MAT. As the MAT is updated, all employees on a distribution list receive an email notifying them that the online MAT has been updated.
- Regulatory Accounting/Business Unit Affiliate Manager (“BUAM”) monthly meetings focus on new issues relating to Section 272 compliance requirements and the Accounting Safeguards Order. These meetings are scheduled for the 3rd Tuesday of each month. Business unit affiliate managers, Billing and Accounts Receivable Tracking (“BART”) billing employees, state regulatory finance employees, intercompany accounting employees, and regulatory accounting employees attend these meetings.
- “Qwest Today” bulletins are issued to employees of all Qwest corporate entities, as appropriate, via email and are available on the Qwest corporate-wide intranet website. A “Qwest Today” bulletin was issued to all employees upon establishment of QLDC as a Section 272 affiliate on September 27, 2003 and upon QCC launching in-region long distance service on November 3, 2003. The bulletins served as a reminder to employees that Qwest is required to comply with requirements of Section 272.

Interviewed 14 employees responsible for developing and recording in the books or records of the carrier transactions affected by these rules during the Engagement Period. Noted that these employees were aware of and demonstrated knowledge of the Section 272 requirements and affiliate transaction rules. Five of the individuals interviewed were employees of the Regulatory Finance and Regulatory Accounting groups of the Qwest BOC and nine of the individuals interviewed above were employees of QSC. Noted that all individuals interviewed were supervised within their respective organizations.

4. Obtained a listing of 285 written agreements for services and for interLATA and exchange access facilities provided under affiliate agreements and contracts between the Qwest BOC and the Section 272 affiliates that were in effect during the Audit Test

¹⁷ The FCC/Regulatory Compliance Managers are part of the Corporate Compliance organization and are employees of QSC.

Period. This listing included 147 affiliate agreements and 138 tariffs. From this listing, randomly selected 80 affiliate agreements¹⁸ and obtained copies of the selected agreements. Summarized, in the workpapers, the selected agreements noting the names of the parties, type of service, price, terms and conditions. Also identified which agreements terminated during the Audit Test Period and noted that none of the agreements terminated prematurely. Inquired and documented that services provided in nine affiliate agreements were provisioned before the written affiliate agreement was in place. These nine services are listed in Attachment A-3.

5. Using the sample of 80 affiliate agreements selected in procedure 4 above, viewed each Section 272 affiliate's section of the Qwest corporate Internet site, www.qwest.com, and compared the prices, terms and conditions of services and assets shown on this site to the copies obtained in Procedure 4 above. For 78 of the 80 affiliate agreements, noted no differences. Noted that one affiliate agreement tested terminated on January 28, 2003 and had been removed from the Qwest Internet site before the testing date of February 14, 2004.¹⁹ Qwest Corporate management represented that affiliate agreements are removed from the Internet site one year after termination. For one affiliate agreement pricing addendum tested, noted that the copy obtained included pricing for three services that were not listed on the pricing addendum posted on the Internet site.

For the selected affiliate agreements, physically inspected the information made available for public inspection at the principal place of business for the Qwest BOC, at 1801 California, 3rd Floor, Denver, Colorado, 80202. Compared the tested agreements inspected at the Qwest BOC principal place of business to the copies of the tested agreements obtained above. Noted no exceptions.

Using the sample of 80 agreements selected in Procedure 4 above, documented in the working papers the dates when the agreements were signed and/or when the services were first rendered (whichever took place first) and the dates of posting on the Internet. Noted that 34 of the 80 agreements tested were posted to the Qwest Internet site more than ten days after their effective date.²⁰ Attachment A-4 lists the 34 affiliate agreements that were posted to the Internet more than ten days after their effective date. Requested the reasons as to why these late postings occurred and included the responses received for each late posting in Attachment A-4.

¹⁸ Forty Tariffs were originally included in the random sample of 80 agreements tested in Objective V/VI, Procedure 4 and Procedure 5, but were replaced since: 1) the tariffs are made available on Qwest's tariff Internet site and are updated on the site on a page-by-page basis; and, 2) the Internet posting requirements for affiliate agreements included in the Accounting Safeguards Order, paragraph 122, do not apply to services provided pursuant to tariffs.

¹⁹ This agreement was in the replacement sample drawn and tested after the Joint Oversight Team requested that tariffs not be included in the testing for Objective V/VI, Procedures 4 and 5, on February 12, 2004.

²⁰ The effective date of the agreement was determined as the earlier of the date the agreement was signed by all parties or the date that services were first rendered or provisioned under the agreement.

In addition to the affiliate agreements tested above, Qwest disclosed additional affiliate agreements and/or amendments that were posted to the Internet more than ten days after their effective date. The listing of late postings provided by Qwest is shown at Attachment A-5.

Documented in the workpapers the procedures that the Section 272 affiliates have in place for posting these transactions.

Noted that all the details needed to allow evaluation for compliance with the FCC's accounting rules were made available in these agreements. Noted that the Internet posting of the agreements included rates, terms, conditions, frequency, effective dates, termination dates, description of services and method of pricing. Noted that the Internet posting of affiliate agreements included the entire affiliate agreement and included sufficient detail to evaluate compliance with the FCC accounting rules. Noted that the Internet copy of the affiliate agreements does not include signatures.

6. Obtained a listing and dollar amounts of all services rendered by month by the Qwest BOC to each Section 272 affiliate during the Audit Test Period and identified services made available to the Section 272 affiliate that were not made available to third parties and which services were made available to both the Section 272 affiliate and to third parties. Determined that the services not made available to third parties included only joint marketing activities.
 - a. Identified 53 billed instances of services not made available to third parties (joint marketing) during the Audit Test Period and selected all billed items for testing. For each selected item, determined whether the amounts recorded for the services in the books of the Qwest BOC were in accordance with the affiliate transactions rules of the Commission. Compared unit charge to Fully Distributed Cost ("FDC") or Fair Market Value ("FMV") as appropriate. Noted that the billed amounts were priced at the higher of FDC or FMV in accordance with the affiliate transaction standards and were recorded in the books of the Qwest BOC in accordance with the affiliate transaction standards, except for the billing errors listed below:
 - February 2003 interest was calculated incorrectly on the QLDC invoice issued in April 2003. The Qwest BOC billed QLDC \$434 of interest. The interest amount should have been a credit of (\$394). The Qwest BOC corrected the overbilling by crediting QLDC (\$828) on the invoice issued in May 2003.
 - March 2003 interest was calculated incorrectly on the QCC invoice issued in April 2003. The Qwest BOC billed QCC an incorrect interest amount of

\$1,075.51 compared to the correct amount of \$1,075.70. The Qwest BOC corrected this underbilling by adding \$0.19 to the QCC invoice issued in May 2003.

- The QLDC bill for service in New Mexico was incorrectly billed \$18,364.59 for January 2003 market inserts and market messages on the invoice issued in August 2003. New Mexico had not yet received Section 272 approval and should not have been allocated a percentage of the costs until April 2003 when New Mexico received Section 272 approval. The Qwest BOC corrected this overbilling by crediting \$18,364.59 to QLDC's New Mexico bill on the invoice issued in September 2003.
 - In the June, July and August 2003 billings to QLDC, the Qwest BOC: 1) billed 50 hours at \$56.74 instead of the FDC rate of \$110.90 for Joint Marketing grade T804 S29; 2) billed 720 hours at \$54.76 instead of the FDC rate \$56.74 for Joint Marketing grade T802 S26; and 3) billed eleven hours at \$56.74 instead of the FDC rate of \$99.13 for Joint Marketing grade T802 S28/29, for a total underbilling of \$4,599.89. The Qwest BOC represented that this underbilling was partially corrected on the invoice issued in October 2003 and completely corrected on the invoice issued in March 2004. The Qwest BOC represented that the work order was revised in November 2003.
 - The Qwest BOC duplicate billed QLDC for 720.75 hours for a total of \$49,338.12 on the invoice issued in February 2003 for service order processing by joint marketing employees. The Qwest BOC corrected the error by crediting QLDC for \$49,338.12 on the invoice issued in April 2003.
 - Noted a recurring difference of \$160.08 in the amount the Qwest BOC recorded in Accounts Receivable for several months. The Qwest BOC represented that in December 2002, the Qwest BOC received payments from QLDC for the October 2002 and November 2002 invoices that exceeded the invoiced amounts by \$160.08. This overpayment was incorrectly recorded by the Qwest BOC in December 2002 and was not corrected until June 2003.
- b. For services made available to both the Section 272 affiliates and to third parties, obtained a listing of services billed by month, by customer account. From this population, randomly selected 100 services and the corresponding invoices. For each service selected for a particular month, one invoice was randomly selected and compared the amounts recorded for the invoice in the books of the Qwest BOC to the amounts recorded for the invoice in the books of the Section 272 affiliate, and the amounts the Section 272 affiliate paid to the Qwest BOC for the same invoice. Of the 100 invoices reviewed, noted two differences, one difference of \$0.02 and one difference of \$0.04 between the service amount selected and the amount appearing on

the invoice for that service. Payment of the sampled billed amounts by the Section 272 affiliate was verified by inspecting electronic cash disbursements authorizations from the Section 272 affiliate and journal entries posted to the Qwest BOC's cash clearing account for services billed through the BART system and revenue journal entries from the Qwest BOC and accounts payable check reconciliations from the Section 272 affiliates for services billed from the Qwest BOC's Customer Record Information System ("CRIS") and Interactive Access Billing System ("IABS"). For the invoices tested, noted no differences between the amount billed and recorded by the Qwest BOC, and the amount recorded as expense and amount paid by the Section 272 affiliate to the Qwest BOC.

7. Obtained a listing of all 958 services billed by month to the Qwest BOC by QCC during the Audit Test Period. QLDC represented that it did not provide any services to the Qwest BOC during the Audit Test Period. This population was made up of 93 billed instances of services billed from BART and 865 billed instances of services billed from LCI Advanced Telecommunications & Information System ("LATIS"). Randomly selected a sample of 90 billed instances of services, made up of seven billed instances from BART and 83 billed instances from LATIS. The billings from BART represented QCC's billings to the Qwest BOC for the use of test equipment, lease of fiber optic lines, lease of equipment space and power, space and furniture rental, corporate calling cards, information technology services, prepaid calling cards, audio conferencing, use of internally developed software and sale of spare inventory. The billings from LATIS represented QCC's billings to the Qwest BOC for services provided under two affiliate agreements, InterLATA Services for Official Company Services and Corporate Calling Cards. For the seven billed instances from BART, compared the rates charged for the services to the appropriate FDC, FMV or prevailing company price ("PCP") established in accordance with the affiliate transaction rules. Noted that one selected service billed from BART, corporate calling cards, was actually priced in LATIS and accumulated on one master bill issued by BART, therefore rate testing of this service was included in the LATIS testing discussed below. For six of the services billed through BART, compared unit charges billed to the Qwest BOC to PCP, FDC, and FMV as appropriate and determined these services were recorded by the Qwest BOC in accordance with affiliate transaction rules. Compared the amounts invoiced by QCC to the Qwest BOC payment journal entries. Noted no differences in the amount the Qwest BOC recorded and the amount the Qwest BOC paid for the same services.

For the 83 billed instances of services selected that were billed by QCC to the Qwest BOC from LATIS, determined that the billed instances selected above were summarized billings of numerous LATIS bill records. These summarized billings did not contain the specific rate information necessary to compare the rates billed to the Qwest BOC. Requested detailed LATIS bill records for the 44 Qwest BOC accounts identified in the population obtained above for the Audit Test Period. Received 18,010,395 bill records by service elements billed by QCC to the Qwest BOC during the Audit Test Period. From

these bill records, replaced the 83 summary level services selected above with 100 randomly selected bill records and compared the rate billed per service element to PCP. Noted the following:

- Noted that the services were billed at PCP, as defined by QCC. QCC represented that they do not consider geographic location when evaluating services for PCP pricing. The requirement to qualify for prevailing price valuation is that sales of a particular service to third parties must encompass greater than 25 percent of the total quantity of that service. In situations where QCC provided the same service out-of-region that was provided to QC in-region, the QCC third party revenue, which was from out-of-region customers, was compared to the affiliate revenue, which was generated in-region.
- For 87 of the 100 bill records, determined that the basic rate charged by the Section 272 affiliate agreed with rates in two affiliate agreements, InterLATA Services for Official Company Services and Corporate Calling Cards, posted on the Qwest Internet site.
- For 13 of the 100 bill records tested, noted that the basic rate charged by the Section 272 affiliate did not agree with the PCP price posted in the affiliate agreements. These differences are listed on Attachment A-6. QCC represented that the average discrepancy between the recalculation and the bill is .00907, which is due to rounding. Also, in the original analysis the Regional Call Handling charge was not included. Following is an explanation of how the rounding could occur:
 - Within LATIS, there are a number of ways that calls can be rounded (such as: all up after some decimal, all down after some decimal, 4 down / 5 up after some decimal, or what is called "bulk" rounding (which applies the rounded portion to the next call, so four one-minute calls at \$0.015 per minute would invoice as: \$0.01, \$0.02, \$0.01, \$0.02). There are even additional rounding methods that are available for use beyond these. Further, there are various stages in which rounding might need to be applied for any given call. Further still, the specific rounding method used on any metered event is captured at the charge element level, and one call event can be subject to multiple charge elements.
- For 75 of the 100 bill records, including 3 of the 13 initial rate differences listed on Attachment A-6, noted that the Section 272 affiliate applied a discount of varying amounts (63 of the 75 bill records) or added a surcharge of \$0.05 (52 of the 75 bill records)²¹ to the billed amounts. This discount and surcharge were

²¹ Forty (40) of the 75 bill records had both a discount and surcharge applied to the amount billed.

applied in addition to the basic rate charged and were not included in the affiliate agreements posted on the Qwest Internet site.

- For the 100 bill records tested, obtained support for the amounts paid and recorded by the Qwest BOC. No differences were noted. Noted that payments for five of the 100 bill records were made five months or more after the invoice date.

8. Obtained, as of September 30, 2003, the trial balance of QCC and a detailed listing of all fixed assets and performed the required procedures as documented in Objective I, Procedures 5a and 5b above. Obtained the balance sheet of QLDC as of September 30, 2003 and noted that QLDC owned no fixed assets.

Reviewed the Section 272 affiliates fixed asset listings obtained in Objective I, Procedure 5 for any assets transferred from the Qwest BOC to the Section 272 affiliates. Noted no assets listed in the fixed asset listings that indicated that the asset was purchased or transferred from the Qwest BOC. Requested a list of asset transfers from the Qwest BOC to the Section 272 affiliates from the Qwest/US WEST merger date of July 1, 2000 to September 30, 2003. The Qwest BOC represented that, in August 2002, the Qwest BOC purchased a switch from a third party and immediately transferred to QCC at the Qwest BOC purchase price. As of December 31, 2003, this switch was recorded in QCC's Construction In Process account. QCC represented that no other items were either directly or indirectly purchased or transferred from the Qwest BOC.

Obtained documentation that indicated that the Qwest BOC's NBV equaled FMV for the switch transferred from the Qwest BOC to QCC. Noted that the transfer was documented through a series of transactions recorded by the Qwest BOC and QCC, which transactions are described in the workpapers.

Obtained a copy of the transfer's summary of services work order labeled "Sale of Equipment" posted on Qwest's Internet site. The Qwest BOC represented that the circumstances surrounding this transaction did not provide an opportunity to make it available to unaffiliated entities. QC had a minimum volume purchase obligation with the third party vendor. QC's capital plans did not require the amount of equipment needed to meet the commitment by the established due date. However, QCC needed the type of equipment covered by the contract. The Qwest BOC represented that third party vendor agreed to reduce the QC purchase commitment if QC purchased the equipment and then sold it to QCC. QC sold the equipment to QCC at the purchase price. QC is willing to sell equipment to third parties under the same terms and conditions that it sells to QCC as evidenced by the posting to the website. Noted that the cost paid by QC for the equipment was then sold to QCC at the same price. No special terms were noted in the price paid by QC that would indicate a FMV higher than the price paid.

Identified in the fixed asset listings obtained in Objective I, Procedure 5 numerous assets noted as purchased or transferred from LCI International Telecom Corporation (“LCIT”). Inquired and documented that QCII acquired LCIT’s parent company, LCI International, Inc. on June 5, 1998, before the Qwest/US WEST merger on July 1, 2000. On December 31, 2001, LCIT merged with and into QCC and LCIT’s assets totaling \$1,001,632,080 transferred to QCC on December 31, 2001. The Qwest BOC represented the LCIT assets that transferred to QCC were never owned by the Qwest BOC. QCC represented that other than the LCIT merger, none of QCC’s assets were transferred or purchased from another affiliate.

9. The Qwest BOC represented that it did not provide to the Section 272 affiliates any assets and/or services priced pursuant to Section 252(e) or statements of generally available terms pursuant to Section 252(f) during the Engagement Period.
10. The Qwest BOC represented that no part of the Qwest BOC’s Official Services²² network was transferred or sold to a Section 272 affiliate at any time prior to or during the Engagement Period.

²² Official Services mean those services permitted by the United States District Court for the District of Columbia in *United States v. Western Electric Co. Inc.* See 569 F. Supp. 1057, 1098, n.179 (1983) (defined as “communications between personnel or equipment of an Operating Company located in various areas and communications between Operating Companies and their customers”), and its progeny.

OBJECTIVE VII. Determine whether or not the BOC has discriminated between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities and information, or the establishment of standards.

1. The Qwest BOC represented that, during the Audit Test Period, there were no procurement awards from the Qwest BOC to the Section 272 affiliates. Obtained Qwest's written procurement procedures.
2. Obtained a list of 475 goods (including software), services, facilities, and customer network services information, excluding CPNI as defined in Section 222(f)(1) of the Act, and exchange access services and facilities included in Objective IX, made available to the Section 272 affiliates by the Qwest BOC. For a random sample of 105 items from this list, requested copies of the media used by the Qwest BOC to inform unaffiliated entities of the availability of the same goods, services, facilities, and information at the same price, and on the same terms and conditions. For the 105 sampled items, noted the following:
 - For 86 items, obtained a copy of the media used by the Qwest BOC to inform unaffiliated entities of the availability of the same goods, services, facilities and information at the same price and on the same terms and conditions.
 - Five items were grandfathered products. The Qwest BOC represented that none of these five products were offered to or purchased by the Section 272 affiliates during the Engagement Period. All of the products were grandfathered prior to the Engagement Period and should not have been in the population of services offered by the Qwest BOC.
 - The Qwest BOC represented that eight of the items tested were not products offered to the Section 272 affiliates or unaffiliated entities.
 - The Qwest BOC represented that two of the products selected were joint marketing tracking codes that should not have been included in the population of services offered by the Qwest BOC.
 - The Qwest BOC represented that one item selected was discontinued in April 2002 and should not have been included in the population of services offered by the Qwest BOC.
 - For one item, Business Special Assembly/Individual Case Basis Flat, the Qwest BOC represented that no media was made available to either the Section 272 affiliates or unaffiliated entities, as the product is made available on an "as needed" basis only.

- For one item, Protocol Conversion Usage, Qwest could not locate the media used to make this item available to either the Section 272 affiliates or unaffiliated entities.
 - For one item, Unbundled Network Elements-STAR Plain Old Telephone Service, the Qwest BOC represented that this service was made available to two unaffiliated entities via interconnection agreements and was not purchased by the Section 272 affiliates during the Engagement Period.
3. Obtained a list from the Qwest BOC of all unaffiliated entities who have purchased the same goods, as the Section 272 affiliates, (including software), services, facilities and customer network services information (excluding CPNI) from the Qwest BOC (except for services provided under affiliate agreements, exchange access services and interLATA services that are tested in Objectives V/VI, IX and XI, respectively) during the Audit Test Period.
- a. For the list of unaffiliated entities obtained above, obtained a list of billed items by entity and selected the following sample for testing:
- For services billed from the Qwest BOC's IABS system,²³ selected all three Universal Service Order Codes ("USOCs") billed to the Section 272 affiliates and compared these rates per USOC to the rates billed to all unaffiliated entities. No differences were noted.
 - For services billed from the Qwest BOC's CRIS system,²⁴ selected all three USOCs by class of service billed to the Section 272 affiliates and compared these rates per USOC/class of service to the rates billed to all unaffiliated entities. Differences noted are listed on Attachment A-7.
 - For services²⁵ billed by month and state, from the Qwest BOC's BART and billing and collection systems, selected a random sample of 100 billed instances of services and compared the rates billed to the Section

²³ The list obtained for Objective VII, Procedure 3a identified three services by USOC billed to the Section 272 affiliates by the IABS system: AKT60, Miscellaneous Charges, material units; HB1H5, Digital Subscriber Line, Facility Bandwidth Increment, 3MPS, 60 month plan; and HB1HM, Digital Subscriber Line, Facility Bandwidth Increment, 3MPS, monthly plan.

²⁴ The list obtained for Objective VII, Procedure 3a identified three services by USOC billed to the Section 272 affiliates by the CRIS system: HRDJ1, Miscellaneous Charges, Nonrecurring, Premise Work; LTESX, Miscellaneous Equipment, Trouble Isolation Charge; and SBG, Miscellaneous Charges, Special Billing Arrangements, Change of Responsibility.

²⁵ The services billed by the BART system and the B&C system included network platform – managed long distance, Customer Account record Exchange ("CARE") product agreements, Primary Interexchange Carrier ("PIC") disputes, PIC changes, account data verification, space and furniture rental and B&C services.

272 affiliates to the rates billed to unaffiliated entities. Noted the differences listed on Attachment A-8a and Attachment A-8b.

For the sampled billed items, documented the amount the Section 272 affiliate was billed and the amount paid to the Qwest BOC. Two payment differences of \$0.03 each were noted.

- b. Obtained a list of the rates billed by the Qwest BOC to the Section 272 affiliate for local exchange services USOCs by state, by class of service and billing telephone number for the month of May 2003. Randomly selected 100 USOCs from the list obtained. Noted that seven of the 100 selected USOCs were provisioning or class of service USOCs. Provisioning USOCs are used to guide the system or network during provisioning and, therefore, have no rates associated with the USOC. The Qwest BOC uses class of service USOCs internally for reference as to the type of customer and, therefore, these USOCs have no rate. Replaced the seven provisioning and class of service USOCs and one USOC billed to an unaffiliated entity that was incorrectly included in the population with eight randomly selected USOCs. For the 100 USOCs tested, compared the rates billed for the selected USOCs to the applicable tariff rate and noted the following:

- Rates for 97 of the 100 USOCs agreed to the tariff rates.
- Rates for two of the 100 USOCs were listed in contracts.
- The rate for one USOC was not a tariffed service but the rate charged agreed to the advertised price for this service on the Qwest Internet site, www.qwest.com.

From the list of sampled items, compiled a list of invoices on which the sampled USOCs appeared. From this list, randomly selected 25 invoices. For the 25 selected invoices, documented the amount paid by the Section 272 and compared the amount paid to the amount billed by the Qwest BOC. No differences were noted.

4. Documented the Qwest BOC's process for disseminating information pursuant to CC Docket No. 96-149, First Report and Order, Para. 16, about network changes, the establishment or adoption of new network standards and the availability of new network services to each Section 272 affiliate and to unaffiliated entities. Noted that the following tools were used by the Qwest BOC to disseminate network information about network changes, new or changed network standards, and the availability of new network services. The Qwest BOC represented that all of the following tools are available to both Qwest affiliates and nonaffiliates.

- State and Federal Tariffs - Provide affiliated and nonaffiliated entities with Qwest BOC products or service offerings, descriptions and pricing. Access to

pending and effective tariff documents can be found at <http://tariffs.qwest.com:8000>

- Local Exchange Routing Guide (“LERG”) - Telcordia (www.telcordia.com) owned and maintained database. Provides lists of all end office switches and describes their relationship to tandem switches. Used to understand routing and interconnection architectures.
- Business Integrated Routing/Rating Database System (“BIRRD”) - Online, real-time database maintained by Telcordia (www.telcordia.com). Used by the industry to officially communicate detailed service provider specific information to the rest of the industry for the routing and rating of calls.
- Qwest Technical Publications developed by the Qwest BOC from existing national and international standards. Describes the architecture, physical interfaces, and detailed technical characteristics of Qwest Corporation products and services. Includes products/services descriptions, technical information and requirements, technical diagrams, network channel and network channel interface codes. Qwest Technical Publications are available at <http://qwest.com/techpub>.

Qwest Technical Publications also include published information pertaining to the Qwest BOC implementing a new standard or technical specification. Changes related to FCC tariffed products/services require a mailing to the industry and a minimum 45-day period before the publication becomes effective. All other changes to publications require a Change Management Process (“CMP”) notification. This process requires an e-mail distribution of redlined changes, a formal comment period, and a period for Qwest to reply to comments.

- The InterCONNECTION (“ICONN”) website located at <http://qwest.com/iconn/> provides information on the Qwest BOC's local network, including the following switch information:
 - i. Current Tandem List – updated monthly
 - ii. Central Office Find – updated monthly
 - iii. NXX Activity Reports
 - iv. Switch Features Availability – updated weekly
 - v. Switch Conversion and Service Order Embargo Detail – updated weekly
 - vi. Switch Software Upgrade Detail – updated weekly
 - vii. Usage Data – updated annually
 - viii. Loop Data – updated annually

- ix. Digital Loop Carrier (“DLC”) Remote Terminal (“RT”) Cabinets by Distribution Area (DA) – updated monthly
- x. Outside Plant & Interoffice Facility Augments greater than \$100,000
- xi. Universal Digital Loop Carrier

- Network Disclosures Notices Available, located on the Qwest website at <http://www.qwest.com/disclosures>, is a web-based tool designed to provide public notice of changes in the information necessary for the transmission and routing of services using the Qwest BOC's facilities or networks, as well as any other changes that would affect the interoperability of those facilities or networks. Disclosure is made at the "make/buy" decision point, defined as a firm business decision to move forward with a product or service that relies on a new or changed basic network interface, a decision to make for itself, or procure from another entity, any product the design of which affects or relies on a new or changed network interface. If a change is more than six (6) months in the future, the Network Disclosure is posted to the website and filed with the FCC. A short-term filing may be requested if the change is less than six (6) months in the future. This requires posting the change to the website, filing with the FCC, and mailing a notice out to the rest of the industry, and allowing the industry the opportunity to object and request more time.

Qwest BOC affiliates and nonaffiliates may subscribe to various notices regarding information on products, processes, and regulatory developments at <http://qwest.com/wholesale/notices/cnla/maillist.html>.

5. For the call centers observed in Procedure 6 below, obtained and inspected scripts that Qwest BOC’s customer service representatives recite to new customers calling to establish new local telephone service or move an existing local telephone service to another location within the BOC in-region territory. Reviewed the scripts and noted that the scripts contained the following:

- language that attempts to sell interLATA services;
- language that informs the consumers that there are other providers of interLATA services; and
- language offering to identify the other providers to the consumer if they are interested.

Obtained and inspected the written content of the Qwest BOC Internet site for online ordering of new residential service or to move an existing residential local telephone service, www.qwest.com, noting that the consumers are informed on the Internet that there are other providers of interLATA service. Further noted that the residential customer can click on a link that lists the other providers randomly. Noted that the Qwest

BOC Internet site does not accept orders for small or large business service. The Qwest BOC website informs business customers that they must call in to request service.

6. Obtained a complete listing as of the end of the Audit Test Period, of all Qwest BOC sales and support customer service call centers. From the listing, with Qwest's assistance, compiled a list of Qwest BOC call centers responding to inbound callers requesting to establish new local telephone service or to move an existing residential local telephone service within the BOC in-region territory. From this listing, identified and grouped each call center by type of customers: "Consumer" or "Business." Determined that the Qwest BOC had a total of 12 call centers that routinely responded to calls for new or moved service (nine Consumer call centers and three Business call centers). Also determined that the Qwest BOC had 14 call centers (eight Consumer call centers and six Business call centers) that incidentally responded to calls for new or moved service.
 - a. Using a random number generator, selected seven Consumer call centers and three Business call centers from the list of 12 call centers obtained above that routinely responded to requests for new or moved service. At each selected call center, attempted to listen in to at least 10 calls from callers requesting to establish new local telephone service or to move an existing local telephone service. Observed that most of the call centers selected received all types of customer service calls, including calls for new or moved service. Upon review of the calls observed, noted that in many calls for new or move service, the customer refused all long distance service before the customer service representative had the opportunity to market long distance service and, therefore, inform the customer of his right to choose long distance providers. Due to the low number of new or move calls in which the customer service representative was required to inform customers of their right to choose long distance providers, randomly selected one additional Consumer call center for observation. Listened in to a total of 935 calls at 11 call centers. Out of 935 calls observed, determined that in 114 calls²⁶ that requested new or moved service, Qwest marketed long distance service and was required to inform the customer of their right to choose long distance providers. For the 114 calls, noted the following:
 - For 85 calls, the customer service representative marketed Qwest long distance service and informed the customer of other providers of intraLATA and/or interLATA services and informed the customer of other long distance providers and of their right to make the selection.
 - For seven calls, the customer service representative marketed Qwest long distance service, but the customer refused all long distance service before

²⁶ Observed at least eight calls for new or move service at each of the 11 selected call centers in which the Qwest BOC marketed Qwest long distance service.

the customer service representative informed the customer of their right to choose a long distance provider.

- For two calls, the customer requested that his service remain the same when the customer service representative mentioned Qwest long distance service.
 - For one call, the customer requested a specific long distance provider when the customer service representative mentioned Qwest long distance service.
 - For 19 calls, the customer service representative marketed Qwest long distance service but did not inform the customer of their right to choose a long distance provider.
- b. From the listing of 14 call centers obtained above that incidentally responded to inbound callers requesting to establish new local telephone service or to move an existing local telephone service (such as sales and service centers that usually receive customer inquiries from existing customers), randomly selected three Consumer centers and two Business call centers. Listened in on a total of 100 calls, 20 calls per center. In the 100 calls observed, only one call requested new or moved service. Noted that in this one call to reestablish service that had been disconnected for a few months, the customer declined all long distance service before the customer service representative marketed Qwest long distance services.
- c. Accessed the Qwest Internet site, www.qwest.com, for residential online ordering of long distance service. Walked through the steps a residential customer must take to order long distance service from the Section 272 affiliates. Observed that the customer is informed of the right to select the interLATA services provider of his/her choice, and of the existence and/or list of other interLATA service providers. Noted that the steps for online ordering are as follows:
- Customer enters his name and service address
 - Customer enters billing information
 - Customer selects products and services
 - Selects new service options
 - Selects other products
 - Selects intraLATA long distance service and intraLATA long distance service provider from a drop-down list of randomly ordered long distance providers
 - Selects interLATA long distance service and interLATA long distance service provider from a drop-down list of randomly ordered long distance providers
 - Long distance service selections are confirmed,

- Customer selects directory listing options.
- Customer requests service start date
- Customer receives order approval and installation date.

Noted that Qwest's online ordering process for residential service informs the customer of his or her right to choose any interLATA services provider and provides the customer a list of such choices. Noted that Qwest does not offer on-line ordering for new or move Business service.

7. Requested a listing of all inbound call centers in which representatives of third-party contractors of the Qwest BOC respond or might incidentally respond to customers requesting to establish new local telephone service or to move existing service. The Qwest BOC represented that there was only one call center, LTD Direct Marketing in Tucson, Arizona ("LTD"), in which representatives of third-party contractors of the Qwest BOC respond or might incidentally respond to customers requesting to establish new local telephone service or to move existing local telephone service. Observed 25 calls at the LTD call center and noted that 23 of the 25 calls were for new or transferred service, and in 10 of the 23 calls, representatives marketed Qwest long distance service. For ten calls for new or transferred service, noted the following:

- In eight calls, noted that the representatives informed the customers of their right to select the interLATA services provider of his/her choice, the existence of other interLATA service providers and offered to provide a list of other providers.
- In one call, the customer refused all long distance service before the representative informed him of the right to choose carriers.
- In one call, the customer only inquired about new local service, but did not place an order.

After discussions with the Joint Oversight Team, the Qwest BOC represented that the following additional third-party call centers might incidentally receive inbound calls for new or transferred service:

- Center Partners (Ft. Collins, Colorado and Idaho Falls, Idaho)
- TeleTech (Sudbury, Ontario, Canada)
- Sutherland (Syracuse, New York, San Diego, California, and Sault St. Marie, Michigan)
- Telespectrum (Huntington, West Virginia and Phoenix, Arizona)
- Focus (Ogden, North Ogden, Brigham City and Lehi, Utah)
- West (Lubbock, Texas and Ft. Smith, Arkansas)
- APAC (Rock Falls, Clinton, Ft. Madison and Quincy, Illinois)
- NuComm (Ontario, Canada)
- Prism (Schaller, Iowa and Superior, Wisconsin)

The Joint Oversight Team selected three of the third-party centers, Focus, Telespectrum, and Center Partners, for additional testing. Observed 25 calls at each of those centers.

- Focus: Ogden, Utah. Noted that all 24 calls observed at this site were inquiries and orders from existing Qwest customers for Qwest’s new Choice Home package and Qwest Choice Long Distance package. In one call observed, the customer requested new service from Qwest. This call was immediately transferred from this call center to a Qwest-owned call center.
- Telespectrum: Phoenix, Arizona. Noted that all 25 calls observed at this site were inquiries and orders from existing Qwest customers for Qwest’s new Choice Home package and Qwest Choice Long Distance package.
- Center Partners: Ft. Collins, Colorado. Noted that all 25 calls observed at this site were from existing Qwest wireless customers who were calling in with problems or questions with their service.

8. Identified the controls utilized by the Qwest BOC and the third party contractors hired for inbound telemarketing to assure compliance by the Qwest BOC with Section 272. Compared the Qwest BOC controls with controls in place at the LTD call center. The controls noted and differences noted are documented in the table below:

Table 1 – Call Center Controls for Section 272 Compliance

Control	Description	In Place at Qwest Small Business Call Centers	In Place at Qwest Consumer Call Centers	In Place at LTD
Flyers	Call Center has flyers posted in public areas or distributed to each employee, which lists the Section 272 scripts.	Yes	Yes	Yes
Acknowledgement	All call center representatives must sign an “Acknowledgement Form” at the end of their initial training course confirming they understand the Section 272 requirements and what actions they must take to remain compliant.	Yes	No	Yes
Intermittent Reminders	All call center customer service representatives receive periodic memos reminding them of Section 272 compliance requirements.	No	Yes	Yes

Control	Description	In Place at Qwest Small Business Call Centers	In Place at Qwest Consumer Call Centers	In Place at LTD
Help Screen	A "Help Screen" with Section 272 required disclosure statements has been programmed into each customer service representative's workstation. The help screen is accessible to the representatives at any time by pressing a hot key.	Yes	Yes	Yes
Scrolling Banners	Information banners (controlled by managers) continuously run across the top of customer service representatives' screens reminding them of various compliance requirements. Specific reminders of Section 272 requirements are periodically included in the banners.	No	No	Yes
Coaching	Customer service representatives are spoken to on every violation, and management looks for violation trends to see if more steps are required. If there is a repeated history, it can lead to other steps of discipline.	Yes	Yes	No
Observation	Supervisors perform observations of call center representatives to determine whether representatives are reading the Section 272 script when marketing long distance.	Yes	Yes	Yes

The Qwest BOC represented that the only Section 272 control in place at the other third-party call centers was the requirement that all new or move service calls received by the other third-party centers are immediately transferred to a Qwest BOC call center for assistance.

9. Obtained and reviewed a copy of the statement of work contract effective August 31, 2003 between the Qwest BOC and the third-party contractor, LTD, that provided inbound telemarketing. Documented the following controls included in the LTD contract:

- Section 7 of the contract requires LTD to train all employees on using the appropriate Qwest-provided call scripts.
- Section 9 of the contract makes LTD responsible for tracking and management of representatives' performance to standards as set forth in the contract and for ensuring that programs are managed and monitored daily.
- Section 11 requires LTD to use Qwest's online scripting tools and provide the ability to adjust scripts on-line.
- Section 16 requires LTD to strictly adhere to scripts provided by Qwest.
- Section 18 allows Qwest to monitor LTD's representatives.

- Section 19 requires LTD to digitally record, retain and review all sales acceptances.

Qwest did not provide copies of vendor contracts with Telespectrum, Focus, and Center Partners. The Qwest BOC represented that these contracts are extremely voluminous and are not responsive to the Procedure. These call centers do not accept inbound calls on behalf of the Qwest BOC for new local service or calls to move existing local service, as noted in the testing performed in Objective VII, Procedure 7 above.

OBJECTIVE VIII. Determine whether or not the BOC and an affiliate subject to Section 251(c) of the Act have fulfilled requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which they provide such telephone exchange service and exchange access to themselves or their affiliates.

1. Documented in the working papers the practices and processes the Qwest BOC has in place to fulfill requests for telephone exchange service and exchange access service for the Section 272 affiliates, other affiliates and nonaffiliates in each state where Qwest has been authorized to provide in-region interLATA services. The Qwest BOC represented that the practices and processes that it has in place to fulfill requests for telephone exchange service and exchange access service are the same in all states served by the Qwest BOC.

For telephone exchange service, noted that the Section 272 affiliates may order telephone exchange service for official company business through Qwest's Internal Communications Business Office or through the Business Office Automation system. Orders from the Internal Communications Business Office and the Business Office Automation system are routed to a specific group of Technologies Representatives for order processing. The Technologies Representatives process these orders using the same practices and processes as orders received from non-affiliated customers. Telephone exchange service provided by the Qwest BOC to the Section 272 affiliates is billed at tariff rates through the Customer Record Information System ("CRIS") as are similar services purchased by non-affiliated customers.

For exchange access services, noted that the Qwest BOC has the same practices and processes in place to fulfill service requests from the Section 272 affiliates, other affiliates and non-affiliates.

Noted the following Qwest BOC internal controls and procedures documented within the practices and procedures that are designed to implement the Qwest BOC's duty to provide nondiscriminatory service.

- Procedures support customer service requests without regard to the type of customer (affiliate or non-affiliate) submitting the request.
- Since the procedures do not make reference to customer type, customer order activity is processed without regard to affiliate or nonaffiliate status. These same standards are applied to customer requests for ordering service, requesting maintenance or repair services, and service change requests. Also, regardless of customer status, all customer service requests are performed on a first come, first served basis.
- Systems are designed to manage the flow of work activity based on the type and quantity of service ordered, not on the affiliate or nonaffiliate status of the

customer. This management of workflow is described in the Standard Interval Guides. Manual order activity is also managed based on the type and quantity of service ordered, not on the type of customer.

The Qwest BOC represented service performance metrics have been developed as controls to ensure nondiscriminatory service between affiliate and nonaffiliate customers. The following performance metrics have been established:

- PIC Change Requests - The RSS User Guide (external Qwest Wholesale Product Catalog "PCAT") provides PIC change information:
<http://www.qwest.com/wholesale/rss/user.html>
- Firm Order Confirmations (FOC)
- Installation Commitments
- Installation Intervals
- Troubles Cleared
- Mean Time to Restore
- Trouble Rate

Qwest Corporate management represented that training is provided for every employee on Section 272 obligations and nondiscriminatory treatment, and this training is documented at the employee level. The documentation of employee training records is a company commitment.

2. For each state where Qwest has been authorized to provide in-region interLATA services, documented in the workpapers are the processes and procedures followed by the Qwest BOC to provide information regarding the availability of facilities used in the provision of special access service to the Section 272 affiliates, the Qwest BOC and other BOC affiliates and nonaffiliates.²⁷ Noted no differences in the processes and procedures used to provide information regarding availability of facilities used to provision special access service to the Section 272 affiliates, other affiliates and nonaffiliates. The Qwest BOC represented that no employees of the Section 272 affiliates or other affiliates have access to, or have obtained information regarding, special access facilities in a manner different from the manner made available to nonaffiliates during the Engagement Period.
3. For each state where Qwest has been authorized to provide in-region interLATA services, obtained written methodology that the Qwest BOC followed to document time intervals for processing of orders (for initial installation requests, subsequent requests for improvement, upgrades, or modifications of service, or repair and maintenance), provisioning of service, and performance of repair and maintenance services for the

²⁷ The term "BOC and other BOC affiliates" referred to in Objective VIII, Procedures 2 through 6 includes the provision of service by the Qwest BOC to its retail and wholesale customers and to other non-Section 272 affiliates of the Qwest BOC.

Section 272 affiliates, BOC and other BOC affiliates and nonaffiliates for exchange access services and PIC change orders.

During the Engagement Period, Qwest tracked monthly results by state (starting in the first full month following Section 271 authorization) for the following performance metrics (“PMs”) for the Section 272 affiliates, BOC and other BOC affiliates and nonaffiliates from January 2003 through December 2003 for QLDC and for November 2003 through December 2003 for QCC. No performance metrics except PIC changes were reported for QLDC since, during the Engagement Period, QLDC resold long distance service purchased from an unaffiliated interexchange carrier and did not purchase exchange access service from the Qwest BOC.

Table 2 – Section 272(e)(1) Performance Metrics Reported by Qwest

Performance Metric	Reported Section 272 Affiliates
OP-3-272 Installation Commitments Met	QCC
OP-4-272 Average Installation Interval	QCC
PO-5-272 Firm Order Confirmations On Time	QCC
PC-1-272 % PIC Change Requested w/in 24 hours	QCC, QLDC
MR-5-272 All Troubles Cleared w/in 4 hours	QCC
MR-6-272 Mean Time to Restore	QCC
MR-8-272 Trouble Rate	QCC

The methodology and business rules used by Qwest to report each of these measures are listed in Attachment A-9. Qwest prepared results monthly and made them available upon request. In order to document these measures, the Company developed detailed business rules and reporting criteria for each of the seven PMs. Qwest’s Section 272(e)(1) reporting is a series of processes and programs that generate and publish results in the provisioning and maintenance of service between the Qwest BOC and other affiliates, the Section 272 affiliates and nonaffiliated interexchange carriers (“IXCs”). The reports are summaries and statistics derived from a series of transactional data sets, i.e., access service requests, orders, and tickets). Each data set, called an “Adhoc” file, holds the necessary raw data to calculate the measure. The Section 272 statistical program, STATS.sas, summarizes and calculates results and applies the statistical tests to determine parity. The Section 272(e)(1) reporting architecture utilizes SAS coding to produce performance results and statistics. The results and statistics are comparable across states, companies, and products.

4. Obtained the performance data maintained by the Qwest BOC during the Engagement Period, by month, by state, indicating time intervals for processing of orders (for initial installation requests, subsequent requests for improvement, upgrades, or modifications of

service or repair and maintenance), provisioning of service, and performance of repair and maintenance services for the Section 272 affiliates, BOC and other BOC affiliates and nonaffiliates for exchange access services and PIC charge orders. During the Engagement Period, the Qwest BOC did not report Section 272(e)(1) performance measures for the exchange telephone service and unbundled network elements categories. The Qwest BOC represented that during the Engagement Period that it did not report Section 272(e)(1) performance measures for the exchange telephone service category since the Section 272 affiliates did not resell local service. The Qwest BOC also represented that during the Engagement Period that it did not report Section 272(e)(1) performance measures for the unbundled network elements category since the Section 272 affiliates did not purchase unbundled network elements from the Qwest BOC. The Qwest BOC began reporting all exchange access performance metrics in November 2003 when QCC began purchasing exchange access for the provision of interLATA long distance service. No performance metrics except PIC changes were reported for QLDC since, during the Engagement Period, QLDC resold long distance service purchased from an unaffiliated interexchange carrier and did not purchase exchange access service from the Qwest BOC.

From this data, prepared comparisons, shown in Attachment A-10, of the differences in time in fulfilling each type of request for the same service for the Section 272 affiliates, BOC and other affiliates and nonaffiliates. Requested explanations from Qwest where fulfillment of requests from nonaffiliates took longer than for the Section 272 affiliates. Prepared linear graphs, at Attachment A-11, for each state, for each performance measure, for each service, over the Engagement Period, depicting the performance for the Section 272 affiliates, BOC and other affiliates and nonaffiliates.

The Qwest BOC represented that when reviewing QCC and QLDC performance results Qwest focuses on the "parity score." A parity score is a numeric indication of whether the reported difference in results is statistically significant.²⁸ A negative parity score means the result is not statistically significant while a parity score greater than or equal to zero indicates the difference between the BOC and other BOC affiliates and nonaffiliates or Section 272 affiliates and nonaffiliates is statistically significant.

Qwest represented that all applicable parity scores were provided and are included on Attachment A-10. Qwest does not compute parity measures in the following circumstances:

- No results for either the nonaffiliate or Section 272 affiliate to compare with one another.
- Performance of both at or near 100% or 0% in either comparable.
- All the data points are the same.

²⁸ The formula is $(z_score - critical_z)/critical_z$. The critical_z value is 1.645 for a 95% confidence level.

- When the volume of the units measured for the nonaffiliate or Section 272 equals one.

For performance measures where the “parity score” is less than zero, the Qwest BOC’s normal process is to not perform root cause analysis since the parity analysis indicates that there is not a statistically significant difference in the results.

For performance measures where the “parity score” is greater than zero, the Qwest BOC’s normal process is to perform root cause analysis when the condition exists for three consecutive months. As QCC has only two months of data to report in 2003, there is no root cause analysis to report in the audit period ending January 1, 2004 for QCC performance results.

The Qwest BOC represented that for the QLDC performance results, root cause analysis uncovered the following issues affecting the Qwest BOC’s ability to complete the PIC changes within the standard interval:

- Ported Telephone Number - Downstream provisioning systems were not capturing all ported telephone information. As a result some PIC transactions were not being provisioned within the required intervals. The cause was determined to be due to incorrect information on the service order. A process bulletin was issued addressing the service order writing issues. Provisioning supervisors now have one-on-one review sessions with technicians who manually process the PIC transactions and fail to follow the documented methods and procedures. Ongoing database clean-up corrects the ported telephone number information on embedded records.
- Table Updates – The downstream provisioning system was not being updated for all switch generic changes, exchange key, and common language location identifier (“CLLI”) code updates. The exchange key directs the transaction to the correct central office switch. Analysis revealed that the exchange key loaded in the provisioning system for one of the central office switches was not accurate; therefore the PIC change request was being directed to the wrong central office switch. The CLLI code failure pertained to border town situations. The downstream provisioning system did not have the correct table entry for some border town locations. As a result of these three issues, downstream systems were unable to complete some PIC transactions within the standard interval. The Qwest BOC implemented a process change on September 9, 2003 to ensure switch generics are updated in downstream provisioning systems. The systems were also updated with switch generic upgrades that had been missed. In addition, the Qwest BOC implemented a process change to check for CLLI failure code on a daily basis and make the

necessary table corrections. Exchange key values were updated on the provisioning system tables effective September 12, 2003.

- Human error - also determined to be a cause for some interval misses. The Qwest BOC implemented a process whereby all examples of human error are referred to the appropriate organizations for individual review of performance, training, or process updates.

The performance improvement efforts the Qwest BOC put in place positively impacted the results. Parity analysis for August 2003 through November 2003 indicates that there is not a statistically significant difference in the results between affiliate and nonaffiliate PIC transactions.

5. Using the restated reported data (i.e., by state, by service, by performance measure, by month) in Procedure 4 above, randomly selected the months listed in Table 3 below for testing:

Table 3 – Objective VIII, Procedure 5 - Months Selected for Testing

State	Months Tested for QCC Reported Measures ²⁹	Months Tested for QEDC Reported Measures
Colorado, Idaho, Iowa, Montana, Nebraska, North Dakota, Utah, Washington, Wyoming	November 2003 December 2003	May 2003 August 2003 September 2003
New Mexico, Oregon, South Dakota	November 2003 December 2003	August 2003 October 2003
Minnesota	November 2003	September 2003

No months were selected for testing for Arizona, since Qwest’s Section 271 effective date in that state was December 15, 2003.

For the selected months, applied the business rules to the underlying raw data and compared the results to those tracked and maintained by the Qwest BOC for that performance metric. Application of the business rules considered the definitions, exclusions, calculations and reporting structure included in the business rules. All performance metrics for the selected months listed in Table 3 above were recalculated and no differences were noted.

²⁹ QCC began providing in-region interLATA service on November 3, 2003 and began reporting Section 272(e)(1) performance metrics as of that date.

6. Inquired how and where the Qwest BOC makes available to unaffiliated entities information regarding achieved service intervals in providing any service to the Section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates. The Qwest BOC represented that it made the commitment to publish the 272(e)(1) performance metrics monthly on a Qwest web site, in each of its Section 271 InterLATA services approval applications filed with the FCC.³⁰ Therefore, this information is made available monthly on the Qwest website, http://www.qwest.com/about/policy/docs/qcc/documents/QCC_PerformanceReport_StatisticalMethodology_010804.pdf. Noted that the QLDC results were posted to the website beginning in January 2004 and the QCC results were posted to the website beginning in March 2004.

³⁰Specifically the QWEST BOC representations were made in the supporting declarations of Marie Schwartz and can be found in the respective FCC docket records as follows: WC Docket No. 02-314:(Colorado, Idaho, Iowa, Montana, Nebraska, North Dakota, Utah, Washington and Wyoming), filed September 30, 2002, paragraph 72; WC Docket No. 03-11:(New Mexico, Oregon and South Dakota), filed January 15, 2003, paragraph 84; WC Docket No. 03-90:(Minnesota), filed March 28, 2003, paragraph 87; WC Docket No. 03-194: (Arizona), filed September 4, 2003, paragraph 85.

OBJECTIVE IX. Determine whether or not the BOC and an affiliate subject to Section 251(c) of the Act have made available facilities, services or information concerning its provision of exchange access to other providers of interLATA services on the same terms and conditions as they have to their affiliate required under Section 272 that operates in the same market.

1. Obtained a list of exchange access services and facilities with their related rates offered to each Section 272 affiliate. The Qwest BOC represented that two forms of media, the public Internet site, <http://www.qwest.com/wholesale/pcat/index.html> and the Wholesale Notification Process, are used to disclose information regarding the availability of these services to the Section 272 affiliates and unaffiliated carriers. The Wholesale Notification Process allows carriers to choose to receive notifications via U.S. Mail or email. Additionally, the Qwest BOC represented that they did not use brochures or bill inserts to inform carriers of the availability of services. Reviewed the media sources for rates, terms, and conditions disclosed. Noted no distinctions in the rates terms and conditions made available to the Section 272 affiliates and to unaffiliated carriers in the media reviewed.

2. Obtained a listing of all invoices for exchange access services and facilities, by billing account number ("BAN") and USOC, rendered by the Qwest BOC to the Section 272 affiliates for the month of December 2003, and obtained a listing of other carriers purchasing exchange access services in those states during December 2003. From the Section 272 affiliates listing obtained, selected a random sample of 114 unique USOCs billed to the Section 272 affiliates by state and class of service. For eight, judgmentally selected, interexchange carriers, obtained a report from the Qwest BOC that showed all billed items by state for the selected USOCs for the month of December 2003. Compared the USOC rates billed to the Section 272 affiliates to rates billed to the eight interexchange carriers for the same USOC, state, class of service and tariff category and noted the differences listed in Attachment A-12.

The Qwest BOC represented that the differences noted on Attachment A-12 were due to the following:

- The billed rates calculated for exchange access services for Qwest affiliates and other interexchange carriers cannot be compared at this level of testing because the billed amount can vary by the individual circuit for each customer. With the exception of the USOC REB3X, the billed amount on all USOCs where rate differences are noted are impacted by the percent of interstate usage ("PIU"), which is the amount of traffic a carrier's network will transport across state boundaries. Based on the PIU, each circuit for each customer is billed at either the FCC Tariff 1 or the appropriate state access tariff. The PIU can range from 100% interstate to 0% interstate, and each change in percentage will cause a different billed amount for that USOC for that particular circuit.

- For 14 of the 45 invoices that totaled \$2,982,022.11, noted that the payments for each invoice were less than the amount billed by amounts ranging from \$0.89 to \$11.78, for a total under payment of \$91.19.
- For 2 of the 45 invoices that totaled \$1,826,585.94, noted that the Section 272 affiliate overpaid the payments for the invoices by \$1,317.11.

The Section 272 affiliates represented that the differences noted were due to disputed amounts or billing adjustments.

OBJECTIVE X. Determine whether or not the BOC and an affiliate subject to Section 251(c) of the Act have charged their separate affiliate under Section 272, or imputed to themselves (if using the access for their provision of their own services), an amount for access to their telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service.

1. Obtained a list of interLATA services offered by the Qwest BOC and discussed the list with the appropriate Qwest BOC representative, who indicated that the list was comprehensive. Compared the services appearing on the list with the interLATA services disclosed in the Qwest BOC's Cost Allocation Manual ("CAM") Section II. Noted no differences. Compared the nonregulated interLATA services listed in Section II of the Qwest BOC's CAM with those defined as incidental in Section 271(g) of the Act and those interLATA services allowed under FCC order and noted no differences.

2. The Qwest BOC represented that from the list of services obtained in Procedure 1 above, that it imputed for access, switching and transport for the National Directory Assistance ("NDA") service³¹ and E911 service during the Engagement Period. Obtained usage details and rates used to calculate the amounts imputed for E911 service. The Qwest BOC represented that the rates used in the calculation of amounts imputed for E911 service were based on an Official Communications Services ("OCS") cost study performed in 1999. E911 circuits are provisioned as OCS; therefore, a portion of the total imputation amount allocated to nonregulated activities is further allocated to E911. The OCS cost study relied on tariff rates effective in 1999. However, the Qwest BOC represented that the tariff rates were not readily available at the time the study was completed so "billable" rates were used. Requested copies of the 1999 tariffs containing the rates used in the OCS study. Qwest was able to provide support for only one tariff rate used in this study. From the population of 27,402 unique USOC/state combinations used in the E911 OCS cost study, randomly selected 100 unique USOC/state combinations and compared the rates per USOC/state used in the OCS cost study to the current tariff rates posted on the Qwest Tariff Library Website, <http://tariffs.uswest.com:8000/>. For the 100 rates compared, noted the following:
 - For 17 of the 100 rates, noted no difference in the rate used in the OCS cost study and the rates published on the Qwest Tariff Library Website.
 - For 2 of the 100 rates, that were \$0.00 in the OCS study, the current tariffs did not reference a rate for these USOCs.
 - For 20 of the 100 rates, noted that the rate published on the Qwest Tariff Library Website was different than the rate used in the OCS cost study. These differences are listed on Attachment A-13.

³¹ NDA service also includes Reverse Directory Assistance service.

- For 61 of the 100 rates, the USOCs used in the OCS cost study were not available on the Qwest Tariff Library Website.

Matched the amounts recorded in the journal entries to the amounts calculated for E911 in the OCS cost study. Noted no differences.

The Qwest BOC represented that the amounts imputed for NDA service were based on a cost study developed in 1999 that determined total expenses allocated to NDA facilities. The Qwest BOC represented that the amounts imputed for NDA services were not based on usage details and tariffed rates. The total expenses used in the 1999 study included quotes from unaffiliated entities for interLATA facilities, however the Qwest BOC could not provide supporting documentation for these quotes. Documented the expense allocation calculations developed in the NDA facilities study. Matched the amounts recorded in the journal entries to the calculations of allocated expenses developed in the NDA cost study. Noted no differences.

Traced the amounts imputed for E911 and NDA services by the Qwest BOC to the journal entry and to the general ledger and noted that the entry was a debit to nonregulated operating revenues (decrease) and a credit to regulated revenues (increase).

3. For exchange access and local exchange service provided by the Qwest BOC to the Section 272 affiliates during the Engagement Period, documented the total amount the Section 272 affiliates recorded as expense for those services in their books, the total amount the Section 272 affiliates paid to the Qwest BOC and the amount of revenue billed by the Qwest BOC for those services. Table 4 below lists the documented amounts and differences noted. The Qwest BOC and Section 272 affiliates represented that the Qwest BOC provided no unbundled network elements to the Section 272 affiliates during the Engagement Period.

The Section 272 affiliates represented that the amounts paid to the Qwest BOC include amounts paid for all services billed from the Qwest BOC's CRIS and IABS systems, and include services in addition to local exchange and exchange access, such as usage charges, operator services, directory assistance, taxes and surcharges. In addition, differences in amounts billed compared to amounts paid may be due to disputed amounts.

Table 4 – Objective X, Procedure 3 - Summary of Local Exchange Service and Exchange Access Service Provided by Qwest BOC to the Section 272 Affiliates During the Engagement Period

	Local Exchange Service	Exchange Access Service	Total
Recorded as Expense by Section 272 affiliates	\$6,375,588	\$68,996,710	\$75,372,298
Billed as Revenue by the Qwest BOC	5,155,287	69,117,054	74,272,341
Paid by the Section 272 affiliates	n/a	n/a	97,995,198
Differences Noted:			
Section 272 Expense amount less Qwest BOC Revenue amount	\$1,220,301	\$(120,345)	\$1,099,956
Qwest BOC Revenue Amount less Section 272 affiliates Paid Amount	n/a	n/a	(23,722,857)
Section 272 Expense amount less Section 272 Paid amount	n/a	n/a	(22,622,900)

OBJECTIVE XI. Determine whether or not the BOC and an affiliate subject to Section 251(c) of the Act have provided any interLATA facilities or services to their interLATA affiliate and made available such services or facilities to all carriers at the same rates and on the same terms and conditions, and allocated the associated costs appropriately.

1. The Qwest BOC represented that the only interLATA service offered to QCC by the Qwest BOC during the Engagement Period was NDA service. The Qwest BOC represented that this service is provided pursuant to FCC Tariff No. 1, Section 9 and is made available to all carriers on Qwest's Internet site at www.qwest.com/wholesale.

The Qwest BOC represented that it provided no interLATA services to QLDC during the Engagement Period.

Compared the list of interLATA services included in the agreements obtained in Objective V/VI, Procedure 4 to the list of interLATA services provided by the Qwest BOC that was obtained in Objective X, Procedure 1 and noted one additional interLATA service, E911, which was not offered to the Section 272 affiliates during the Engagement Period.

2. Obtained a copy of FCC Tariff No. 1, Section 9, from Qwest's Internet site, <http://tariffs.uswest.com:8000/docs/TARIFFS/FCC/FCC1>, and noted no differences in the rates, terms and conditions offered to the Section 272 affiliates and unaffiliated carriers.
3. Obtained one invoice for NDA service for December 2003 rendered by the Qwest BOC to QCC. Compared the rates, terms and conditions on the QCC invoice to FCC Tariff No. 1, Section 9. Noted that the rates, terms and conditions charged to QCC agreed to the FCC Tariff No. 1, Section 9. The Qwest BOC represented that no unaffiliated carriers purchased NDA service from the Qwest BOC during the Engagement Period.
4. Using the invoice obtained in Procedure 2 above, traced the amount invoiced to QCC for NDA service and determined the amount invoiced was the amount recorded by the Qwest BOC and paid by the Section 272 affiliate. For this purpose, obtained a copy of the authorization for funds transfer to support QCC's payment to the Qwest BOC and obtained screen prints from the Qwest BOC that showed the amount billed was recorded to revenue account 5082.

Procedures for Subsequent Events

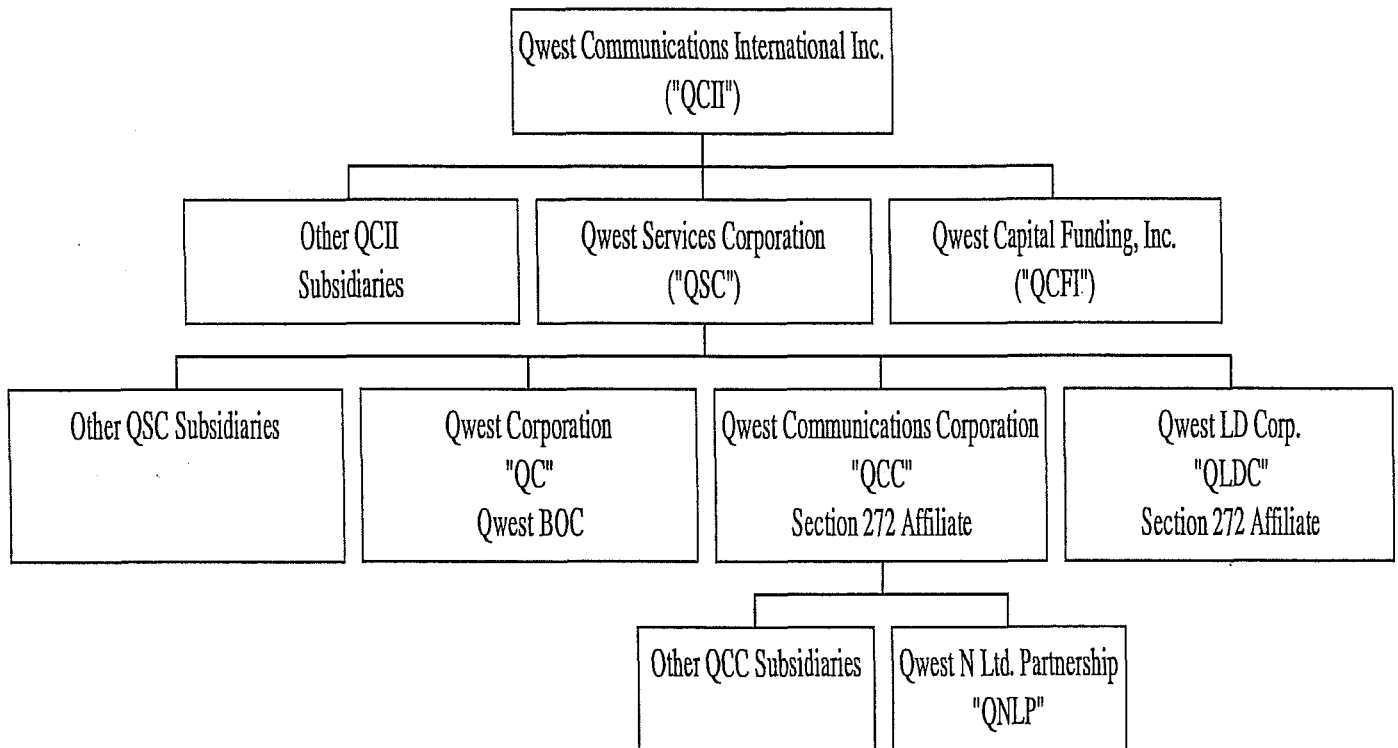
1. Qwest Corporate management represented that the Qwest BOC's and Section 272 affiliates' processes and procedures have not changed since the time of execution of these procedures and the end of the Engagement Period.
2. Obtained written representation from management that they were not aware of any event subsequent to the Engagement Period, but prior to the issuance of this report, that may affect compliance with any of the objectives described in this document.

Additional Disclosures

Qwest Corporate management represented the following issue relating to Section 272 compliance that occurred during the Engagement Period.

- On April 7, 2003 and April 8, 2003, QCII acknowledged that a 30-second television commercial promoting various products, including long distance service was broadcast 44 times in selected markets in Arizona, Minnesota, New Mexico and Oregon. This issue was disclosed by QCII to the FCC in a letter addressed to Maureen Del Duca dated April 10, 2003 and a second letter addressed to Marlene Dortch dated April 11, 2003. In this disclosure, QCII represented that long distance service was not actually provisioned to any customer in which Section 271 authority had not yet been received. This issue was addressed in the Consent Decree entered into between the FCC and QCII, File No. EB02-IH-0674, released May 7, 2003.
- On November 13, 2003, Qwest Corporate management informed the FCC, by letter addressed to Maureen Del Duca, that a distribution vendor mistakenly sent a lead list that included Arizona leads to a telemarketing vendor who then made a few hundred outbound telemarketing contacts with Arizona residents. Contacts with Arizona residents began on November 3, 2003 and stopped the morning of November 4, 2003. Qwest Corporate management represented that no sales occurred to Arizona residents and no long distance service was provided to Arizona residents as a result of any of these telemarketing contacts. This issue was addressed in the Consent Decree entered into between the FCC and QCII, File No. EB03-IH-0531, released May 28, 2004.

Qwest Affiliate and Subsidiary Organization
As of January 1, 2004



Reconciliation of QCC Trial Balance to Fixed Asset Listings As of September 30, 2003		
<i>Line</i>		
	Fixed Asset Listings:	
1	QCC Fixed Asset Listing	\$4,768,685,871
2	QNLP Fixed Asset Listing	1,923,613,167
3	Capitalized Leases Listing	1,408,753,890
4	Total Fixed Assets Per Fixed Asset Listings	8,101,052,928
	Reconciling Items:	
5	Work In Process assets (credit balance) included in Trial Balance, not included in Fixed Asset Listings	(352,360,935)
6	Assets Held for Future Use not included in Trial Balance, included in Fixed Asset Listings	(11,000,000)
7	Inventory Assets included in Trial Balance, not included in Fixed Asset Listings	76,000,000
8	Entries included in Trial Balance, not yet posted to Fixed Asset Listing	6,100,000
9	Accumulated Depreciation included in Trial Balance, not included in Fixed Asset Listings	(214,873,331)
10	Restatements and Impairments recorded in Trial Balance, not included in Fixed Asset Listings	(6,549,000,000)
11	Unreconciled amount	(831,714)
12	Fixed Asset Balance per Trial Balance	\$1,055,086,948

Affiliate Services Provisioned Before the Written Affiliate Agreement Was in Place		
Line	Service	Explanation Provided by Qwest
1	Use of Voice Switching Equipment Work Order - QC to QCC	Agreement effective on August 6, 2003. Billed in August 2003 back to November 9, 2001. Use of equipment erroneously provided before agreement was in place.
2	Amendment 20 to Work Order - Finance Services -QC to QCC	Added cash management process service to work order effective March 1, 2003. Billed in March 2003 back to August 2002. Service first provisioned in August 2002
3	Amendment 1 to Task Order - Audio Conferencing - QCC to QC	Agreement effective November 14, 2001. Billed back to Qwest/US WEST merger date of July 1, 2000. Disclosed in Section 271 application process.
4	Billing and Collections Services Agreement - QC to QCC	Service erroneously provided on September 1, 2001. before the agreement was posted on November 8, 2001.
5	Amendment 3 to Billing and Collections Services Agreement - QC to QCC	Amendment effective July 1, 2003 that added IT developmental work to agreement. Service first provisioned on March 1, 2001. Billed back to March 2001 in July 2003.
6	Data Network Trouble Management Call Transfer Service- QC to QCC	Qwest discovered in January 2003 that this service had been provided since March 2001 when QCC became a Section 272 affiliate. A work order was posted for the service on February 7, 2003.
7	Global Business Accounts General Support Services - QC to QCC	Out of region service order processing service first provisioned on August 1, 2002. Agreement executed on September 13, 2002 and billed back to August 2002.
8	Amendment 1 to Lease of Equipment Space and Power Task Order - QCC to QC	Co-located equipment provisioned on November 1, 2002 not identified. Agreement executed June 30, 2003.
9	Use of Internally Developed Software Task Order - QCC to QC	E-site service provisioned on June 1, 2001 not identified. Agreement executed on May 31, 2002.

Affiliate Agreements Tested in Objective V/VI-5 That Were Posted to Qwest Internet Site More than 10 Days After Effective Date							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
1	Work Order – Network Services	QC	QCC	September 23, 2003	August 1, 2003	43	Note A – Uncertainty around posting requirement related to trunk group reports provided at no charge
2	Work Order - Use of Voice Switching Equipment	QC	QCC	August 14, 2003	November 9, 2001	633	Note A – Responsible party was confused about Section 272 requirements. Qwest continues to refine and reinforce training efforts.
3	Amendment 20 to Work Order – Finance Services	QC	QCC	March 18, 2003	August 1, 2002	219	Note A – Out-of-region cash management functions added to General Services Finance description. Involved two employees. Provider assumed posted work order covered all services. Detailed review discovered omissions.
4	Amendment 24 to Work Order – Finance Services	QC	QCC	September 22, 2003	August 1, 2003	42	Note C
5	Amendment 1 to Work Order - Internal Data Network Connections	QC	QCC	December 23, 2002	December 1, 2002	12	The Internet User Tool (“IUT”) form is completed after the work order is placed on the live site. The posting is usually completed by the requested deadline. It appears in this instance that the completion date on the IUT (noted herein as the posting date) which is after the required due date is incorrect. Qwest believes that the date identified on the posting summary is correct. See also Note C.

Affiliate Agreements Tested in Objective V/VI-5 That Were Posted to Qwest Internet Site More than 10 Days After Effective Date							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
6	Amendment 1 to Work Order National Business Accounts Market Support for QCC	QC	QCC	September 18, 2002	September 1, 2002	7	Note C
7	Amendment 15 to Work Order - Space & Furniture Rental	QC	QCC	December 4, 2002	November 1, 2002	23	The IUT form is completed after the work order is placed on the live site. The posting is usually completed by the requested deadline. It appears in this instance that the completion date on the IUT (noted herein as the posting date) which is after the required due date is incorrect. Qwest believes that the date identified on the posting summary is correct. See also Note C.
8	Lease of Fiber Optic Lines Task Order (Amendment #5)	QCC	QC	September 27, 2002	September 1, 2002	16	Service already posted but updated to add new locations.
9	Amendment 1 to Task Order - Audio Conferencing	QCC	QC	November 14, 2001	July 1, 2000	491	Note B – Confusion at Qwest/US WEST merger as to who was providing this service. Employee thought this service was purchased from a third party. Business operations review resulted in discovery and correction. Disclosed in Section 271 applications.

Affiliate Agreements Tested in Objective V/VI-5 That Were Posted to Qwest Internet Site More than 10 Days After Effective Date							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
10	Billing and Collections Services Agreement	QC	QCC	November 8, 2001	September 1, 2001	58	Note A – This was identified and corrected prior to Section 271 approval in any state. Agreement was not signed and final until October 30, 2001 but the effective date was September 1, 2001.
11	Amendment 3 to Billing and Collections Services Agreement	QC	QCC	July 14, 2003	March 1, 2001	855	Note A – QCC was purchasing services directly from QIT, QCC was not aware that the services should be provided through QC under the B&C agreement instead of directly from QIT.
12	Data Informational Requests Task Order	QLDC	QC	September 15, 2003	September 4, 2003	1	Signed on Friday, September 12, 2003, posted on Monday, September 15, 2003.
13	Amendment 4 to Work Order - Finance Services	QC	QLDC	April 2, 2003	February 1, 2003	50	Note A
14	Amendment 2 to Work Order - Information Technologies Services	QC	QLDC	August 1, 2003	January 2, 2003	201	Note A – Market messages and set up functions were inadvertently omitted from original posting.
15	Information Technologies Services Work Order (Amendment #3)	QC	QLDC	September 26, 2003	September 1, 2003	15	Updated a rate on pricing addendum, agreement already posted. Qwest does not consider this a late posting.
16	Data Network Trouble Management Call Transfer Service (Amendment #1)	QC	QCC	February 7, 2003	March 1, 2001	698	Note A – This amendment supplements the original amendment made on the same day (Item 19 below). Therefore, the only late posting that should be considered is Item 19.

Affiliate Agreements Tested in Objective V/VI-5 That Were Posted to Qwest Internet Site More than 10 Days After Effective Date							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
17	Operator and Support Personnel Services (Amendment #5)	QC	QCC	October 17, 2002	October 1, 2002	6	Note C
18	Data Network Trouble Management Call Transfer Service	QC	QCC	February 7, 2003	March 1, 2001	698	Note A – This function occurred in an isolated center where calls were transferred on a nondiscriminatory basis, however employees overlooked posting the function.
19	Amendment 18 to Work Order - Finance Services	QC	QCC	October 3, 2002	August 1, 2002	53	Note C
20	Amendment 19 to Work Order - Finance Services	QC	QCC	February 3, 2003	January 1, 2003	23	No change to terms or rates. Clarification only. Qwest does not consider this a late posting.
21	Global Business Accounts General Support Services	QC	QCC	September 18, 2002	August 1, 2002	38	Note A – Service order processing functions were provided out-of-region and not timely posted. Issue was identified and corrected prior to Section 271 approval for QCC in any state.
22	Information Technologies Services Work Order	QC	QCC	May 1, 2003	February 1, 2003	79	Note A – Information shared on DSL in presentation given to QCC by QC erroneously.
23	Services Agreement	QC	QCC	March 26, 2001	January 19, 2001	56	Services agreement posted concurrent with date QCC was held out as a Section 272 affiliate, Qwest does not consider this to be a late posting.
24	InterLATA Services for Official Company Services Task Order (Amendment #3)	QCC	QC	July 17, 2002	July 1, 2002	6	Note A

Affiliate Agreements Tested in Objective V/VI-5 That Were Posted to Qwest Internet Site More than 10 Days After Effective Date							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
25	Lease of Equipment Space and Power Task Order (Amendment #1)	QCC	QC	July 17, 2003	November 1, 2002	248	Note C
26	Use of Internally Developed Software Task Order	QCC	QC	June 4, 2003	June 1, 2001	723	Note A
27	Amendment 6 to Task Order - Sale of Spare Inventory	QCC	QC	February 4, 2003	November 10, 2002	76	Note A – New controls put in place to prevent equipment from being shipped before posting.
28	Amendment 7 to Task Order - Space & Furniture Rental	QCC	QC	October 31, 2002	October 1, 2002	20	This service was provisioned on November 1, 2002 and services are billed in advance. Qwest does not consider this to be a late posting.
29	One-Way Select Service Agreement	QCC	QC	July 9, 2003	April 20, 2000	1,165	Pre-merger QC contract assigned by a third party to QCC, creating a Section 272 transaction. This was corrected prior to QCC receiving Section 271 approval.
30	Trouble Management Call Transfer Service (Amendment #1)	QC	QLDC	February 12, 2003	December 23, 2002	41	Note C
31	Billing and Collections Services Agreement (Amendment #1)	QC	QLDC	December 12, 2002	March 1, 2001	641	Note A – QCC was purchasing services directly from QIT. QCC was not aware that the services should be provided through QC under the B&C agreement instead of directly from QIT.

Affiliate Agreements Tested in Objective V/VI-5 That Were Posted to Qwest Internet Site More than 10 Days After Effective Date							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
32	Amendment 3 to Work Order - Finance Services	QC	QLDC	February 3, 2003	January 1, 2003	23	Pricing addendum language was modified for clarity. No rates were changed. Qwest does not consider this to be a late posting.
33	Amendment 3 to Work Order - Trouble Ticket Status for ATM/Frame Relay	QC	QCC	August 28, 2003	September 11, 2001	706	Note A – Agreement modified to reflect one instance on September 11, 2001 where QC employees had access and made changes in the QCC switching network after disaster recovery. This was prior to Section 271 approval in any Qwest state.

Explanation Notes:

Note A: A function inadvertently not identified within 10 days of provisioning but discovered and corrected by Qwest review controls.

Note B: Billed back to Qwest/US WEST merger date, disclosed in Qwest's Section 271 application process.

Note C: Amendment to work order to reflect affiliate transaction repricing, which was made effective the first day of the month. Qwest is reviewing its repricing practices as they relate to posting. Qwest does not consider this a late posting but a routine update to the agreement.

Late Posted Section 272 Affiliate Agreements Disclosed by Qwest							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
1	Task Order - Information Technologies Services	QCC	QC	February 14, 2002	July 1, 2000	583	Internal Communications employee networks combined at merger before QCC was established as a 272 affiliate. - Note B
2	Amendment 2 and 3 to Work Order - Information Technologies Services	QC	QCC	December 28, 2001	July 1, 2000	535	Internal Communications employee networks combined at merger before QCC was established as a 272 affiliate. - Note B
3	Amendment 10 to Work Order - Finance Services	QC	QCC	March 14, 2002	July 1, 2001	246	See Note A
4	Work Order - Global Business Accts-Service Order Processing	QC	QCC	April 19, 2002	October 1, 2001	190	See Note A - Out of region service order creation
5	Work Order - National Business Accts-Service Order Processing	QC	QCC	May 10, 2002	October 1, 2001	211	See Note A - Out of region service order creation
6	Amendment 3 to Task Order - InterLATA Services for Official Company Services	QCC	QC	July 17, 2002	July 1, 2002	6	Note A
7	Task Order - Use of Internally Developed Software	QCC	QC	June 4, 2002	June 1, 2001	358	Note A
8	Amendment 9 to Work Order - Finance Services	QC	QCC	January 17, 2002	October 1, 2001	98	See Note A - Responsible party thought functions were already provided under existing work order.
9	Work Order - Trouble Ticket Status for ATM/Frame	QC	QCC	August 15, 2002	July 12, 2002	24	See Note A - Function provided under emergency conditions.
10	Task Order - Consulting Services	QCC	QC	September 3, 2002	March 25, 2002	152	See Note A - Overlooked need to post one-time function provided by single employee.
11	Amendment 1 to Work Order - National Consumer Bus. Office Referrals	QC	QCC	October 28, 2002	July 1, 2002	109	See Note A - Confusion whether referrals were considered a postable function.
12	Amendment 1 to Task Order - Prepaid Calling Cards	QCC	QC	September 12, 2002	January 1, 2002	244	Service discovered during KPMG examination, and previously disclosed in 271 application process.

Late Posted Section 272 Affiliate Agreements Disclosed by Qwest							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
13	Work Order & Amendment 1 to Work Order - Data Network Trouble Management Call Transfer Service	QC	QCC	February 7, 2003	March 1, 2001	698	Note A--This function occurred in an isolated center where calls were transferred on a nondiscriminatory basis, however employees overlooked posting this function. This amendment supplements the original amendment made on the same day. Therefore, the only late posting that should be considered is original work order.
14	Amendment 20 to Work Order - Finance Services	QC	QCC	March 18, 2003	August 1, 2002	219	Note A--Out of region cash management functions added to General Services Finance description. Involved 2 employees. Provider assumed posted work order covered all services. Detailed review discovered omission.
15	Other Contract - One-Way Select Service	QC	QCC	July 9, 2003	April 20, 2000	1165	Pre-merger QC contract assigned by a 3rd party to QCC, creating a 272 transaction, which was corrected prior to QCC receiving 271 approval.- Note B
16	Amendment 3 to Other Contract - Billing and Collections	QC	QCC	July 11, 2003	March 1, 2001	852	Note A--QCC was purchasing service directly from QIT. QCC was not aware that the requested service should be provided by QC as part of the B&C function and should be covered by its B & C agreement.
17	Work Order - Use of Voice Switching Equipment	QC	QCC	August 14, 2003	November 9, 2001	633	Note A--Responsible party was confused about 272 requirements, Qwest continues to refine and reinforce training efforts.

Late Posted Section 272 Affiliate Agreements Disclosed by Qwest							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
18	Work Order - Network Services	QC	QCC	September 23, 2003	August 1, 2003	43	Note A--Uncertainty around posting requirements related to trunk group reports provided to all IXC's at no charge.
19	Task Order - Reports	QCC	QC	October 31, 2003	June 24, 2003	119	See Note A - Uncertainty over posting requirements related to sharing of processes provided at no charge.
20	Other Contract - Account Data Verification	QC	QCC	February 13, 2004	November 3, 2003	92	See Note A
21	Amendment 5 to Work Order - Wholesale Sales and Service	QC	QCC	October 14, 2002	September 1, 2002	33	Posting of incorrect repricing rates .
22	Work Order - Information Technologies Services	QC	QCC	May 1, 2003	February 1, 2003	79	Note A--Information shared on DSL in presentation given to QCC by QC erroneously.
23	Amendment 4 to Task Order - Interlata Svcs. for OCS	QCC	QC	February 5, 2004	August 2, 2002	542	Overlooked one of six routing features listed at same price.
24	Amendment 4 to Work Order - Finance Services	QC	QLDC	April 2, 2003	February 1, 2003	50	Note A
25	Amendment 1 to Other Contract - Billing and Collections Services	QC	QLDC	December 12, 2002	March 1, 2001	641	Note A - QC added BOSS/CARS note on behalf of QLDC for Inquiry Plus billing functions. Additionally, July 11, 2003, is the correct posting date as shown on the Posting Summary on the web. Incorrect posting documentation may have been provided initially.
26	Amendment 2 to Work Order - National Consumer Markets Joint Marketing	QC	QLDC	June 5, 2003	January 2, 2003	144	See Note A - Responsible person overlooked need to post marketing display functions related to the 272 launch .
27	Amendment 1 to Other Contract - Billing and	QC	QLDC	December 12, 2002	March 1, 2001	641	Note A--QCC was purchasing service directly

Late Posted Section 272 Affiliate Agreements Disclosed by Qwest							
Line	Agreement	From	To	Posting Date	Earlier of Date Signed or Date Service First Rendered	# Of Days Late	Qwest Provided Reason For Late Posting
	Collections Services						from QIT. QCC was not aware that the requested service should be provided by QC as part of the B&C function and should be covered by its B & C agreement. Additionally, July 11, 2003 is the correct posting date as shown on the Posting Summary on the web. Incorrect posting documentation may have been provided initially.
28	Amendment 2 to Work Order - Information Technologies Services	QC	QLDC	August 1, 2003	January 2, 2003	201	Note A--Market messages and set up functions were inadvertently omitted in original posting.
29	Work Order - Informational Requests	QC	QLDC	September 22, 2003	March 1, 2003	195	See Note A - QC provided information to QLDC to respond to state regulatory commission data requests.
30	Work Order - Printing and Processing	QC	QLDC	September 26, 2003	July 16, 2003	62	See Note A - Responsible person thought function was covered under an existing work order.
31	Other Contract - Local Service Provider Identification Information	QC	QLDC	February 13, 2004	August 3, 2003	184	See Note A - The same information is provided to other IXCs.
32	Other Contract - Use of Customer Lists	QC	QLDC	February 13, 2004	September 3, 2003	153	See Note A - The same information is provided to other IXCs.

Note A: A Function inadvertently not identified within 10 days of provisioning but discovered and corrected by Qwest review controls.

Note B: Billed back to Qwest/US West merger date, disclosed in Qwest's Section 271 application process.

Differences Noted in the Rates Billed to the Qwest BOC from Section 272 Affiliates - LATIS Billed Services										
Line	Sample Number	Billing Quantity (Minutes)	Qwest Total Basic Charge	Type of Call	Intrastate/Interstate	Switched/Dedicated	State	Qwest Affiliate Agreement Rate Per Minute	Qwest Basic Charge Rate Per Minute	Rate Difference
1	55	0.30	-	Outbound	Interstate	Dedicated	MN	\$0.023	\$0.000	\$0.023
2	56	0.30	-	Outbound	Interstate	Dedicated	AZ	0.023	0.000	0.023
3	57	0.70	\$0.02	Outbound	Interstate	Dedicated	MN	0.023	0.029	(0.006)
4	59	0.20	-	Outbound	Interstate	Dedicated	CO	0.024	0.000	0.024
5	61	0.20	-	Outbound	Interstate	Dedicated	MN	0.023	0.000	0.023
6	62	0.10	-	Inbound	Interstate	Switched	CO	0.043	0.000	0.043
7	64	0.10	-	Outbound	Interstate	Dedicated	WA	0.023	0.000	0.023
8	65	0.70	0.04	Inbound	Interstate	Switched	NE	0.046	0.057	(0.011)
9	79	0.40	0.02	Inbound	Interstate	Switched	MN	0.044	0.050	(0.006)
10	80	0.40	0.03	Outbound	Intrastate	Dedicated	CO	0.063	0.075	(0.012)
11	81	0.10	0.01	Outbound	Intrastate	Dedicated	WA	0.042	0.100	(0.058)
12	82	0.40	0.04	Inbound	Intrastate	Switched	WA	0.085	0.100	(0.015)
13	97	0.10	0.01	Inbound	Interstate	Switched	CO	0.043	0.100	(0.057)

Differences Noted in Rates Charged the Section 272 Affiliates and Non-Affiliates for Services Other than Local Exchange Billed from CRIS						
Line	State	Class of Service	USOC	Section 272 Affiliate Billed Rate Per Unit	Total Number of Units Billed to Section 272 Affiliates	Non Affiliate Billed Rate Differences
1	CO	1FB	HRDJ1	\$110.00	1	8,986 Customer Accounts were billed at \$110.00 88 Customer accounts were billed a range of \$0.00 to \$99.00.
2	WY	1FB	SBG	6.21	4	1 Customer Account was billed at \$12.45, 760 Customers were billed a range of \$(4.13) to \$12.44
3	WY	1FB	SBG	12.45	2	1 Customer Account was billed at \$12.45, 760 Customers were billed a range of \$(4.13) to \$12.44
4	CO	1FB	LTESX	95.00	1	4,215 Customer Accounts were billed at \$95.00 34 Customer Accounts were billed a range of \$0.00 to \$63.33

Differences Noted in the Rates Charged to QCC and Unaffiliated Entities for Space & Furniture Rentals, CARE Services and B&C Services								
Line	Service	Unaffiliated Entity	Month	State	Service	Non-Affiliate Rate	QCC Rate	Difference
1	B&C	Unaffiliated Entity #1	Jan-2003	MT	Bill Production	\$1.40	\$1.50	\$(0.10)
2	B&C	Unaffiliated Entity #1	May-2003	NE	Bill Production	1.40	1.50	(0.10)
3	B&C	Unaffiliated Entity #1	Sep-2003	WY	Customer Initiated, Customer Issued Adjustment	0.055	0.035	0.02
4	B&C	Unaffiliated Entity #1	Sep-2003	WY	Bill Production	1.55	1.50	0.05
5	B&C	Unaffiliated Entity #2	Jan-2003	SD	Bill Production	0.88	1.50	(0.62)
6	B&C	Unaffiliated Entity #2	Sep-2003	WY	Bill Production	0.98	1.50	(0.52)
7	B&C	Unaffiliated Entity #3	Jan-2003	CO	Bill Production	0.87	1.50	(0.63)
8	B&C	Unaffiliated Entity #3	Mar-2003	AZ	Bill Production	0.87	1.50	(0.63)
9	B&C	Unaffiliated Entity #3	Jun-2003	IA	Bill Production	0.87	1.50	(0.63)
10	B&C	Unaffiliated Entity #3	Aug-2003	ID-S	Customer Initiated, Customer Issued Adjustment	0.055	0.035	0.02
11	B&C	Unaffiliated Entity #3	Aug-2003	ID-S	Bill Production	1.75	1.50	0.25
12	B&C	Unaffiliated Entity #3	Sep-2003	AZ	Customer Initiated, Customer Issued Adjustment	0.055	0.035	0.02
13	B&C	Unaffiliated Entity #3	Sep-2003	AZ	Bill Production	1.75	1.50	0.25
14	B&C	Unaffiliated Entity #4	Jan-2003	OR	Bill Production	0.41	1.50	(1.09)
15	B&C	Unaffiliated Entity #4	Jan-2003	OR	Bill Production	1.35	1.50	(0.15)
16	B&C	Unaffiliated Entity #4	Feb-2003	ND	Bill Production	1.32	1.50	(0.18)
17	B&C	Unaffiliated Entity #4	Feb-2003	OR	Bill Production	1.32	1.50	(0.18)
18	B&C	Unaffiliated Entity #4	Apr-2003	ID-N	Bill Production	1.32	1.50	(0.18)
19	B&C	Unaffiliated Entity #4	May-2003	ND	Bill Production	1.32	1.50	(0.18)
20	B&C	Unaffiliated Entity #5	Apr-2003	UT	Bill Production	0.90	1.50	(0.60)
21	B&C	Unaffiliated Entity #5	Sep-2003	CO	Bill Production	0.90	1.50	(0.60)
22	B&C	Unaffiliated Entity #6	Jul-2003	AZ	Customer Initiated, Customer Issued Adjustment	0.055	0.035	0.02
23	B&C	Unaffiliated Entity #6	Jul-2003	ID-S	Customer Initiated, Customer Issued Adjustment	0.055	0.035	0.02
24	B&C	Unaffiliated Entity #7	Feb-2003	CO	Bill Production	0.395	1.50	(1.105)
25	B&C	Unaffiliated Entity #7	Mar-2003	ID-N	Bill Production	0.395	1.50	(1.105)

Differences Noted in the Rates Charged to OCC and Unaffiliated Entities for Space & Furniture Rentals, CARE Services and B&C Services								
Line	Service	Unaffiliated Entity	Month	State	Service	Non-Affiliate Rate	OCC Rate	Difference
26	B&C	Unaffiliated Entity #7	Apr-2003	NE	Bill Production	0.395	1.50	(1.105)
27	B&C	Unaffiliated Entity #7	May-2003	SD	Bill Production	0.395	1.50	(1.105)
28	B&C	Unaffiliated Entity #8	Jun-2003	ID-S	Bill Production	1.65	1.50	0.15
29	B&C	Unaffiliated Entity #8	Jul-2003	ND	Bill Production	1.65	1.50	0.15
30	B&C	Unaffiliated Entity #8	Aug-2003	OR	Bill Production	1.65	1.50	0.15
31	Space & Furn.	Unaffiliated Entity #9	May-2003		Office Rent- 1801 California St.	14.00sqft/year	26.86sqft/year	(12.86)
32	Space & Furn.	Unaffiliated Entity #9	Aug-2003		Office Rent- 1801 California St.	14.00sqft/year	26.86sqft/year	(12.86)
33	B&C	Unaffiliated Entity #10	Feb-2003	MN	Bill Production	1.45	1.50	(0.05)
34	B&C	Unaffiliated Entity #10	May-2003	CO	Bill Production	1.45	1.50	(0.05)
35	B&C	Unaffiliated Entity #10	Jun-2003	ND	Bill Production	1.45	1.50	(0.05)
36	B&C	Unaffiliated Entity #11	Jan-2003	ND	Bill Production	0.90	1.50	(0.60)
37	B&C	Unaffiliated Entity #11	Feb-2003	MT	Bill Production	0.90	1.50	(0.60)
38	B&C	Unaffiliated Entity #11	Mar-2003	WY	Bill Production	0.90	1.50	(0.60)
39	B&C	Unaffiliated Entity #11	Jul-2003	ID-S	Bill Production	0.90	1.50	(0.60)
40	B&C	Unaffiliated Entity #12	Feb-2003	NE	Bill Production	0.85	1.50	(0.65)
41	B&C	Unaffiliated Entity #12	Mar-2003	UT	Bill Production	0.85	1.50	(0.65)
42	B&C	Unaffiliated Entity #12	May-2003	MT	Bill Production	0.85	1.50	(0.65)
43	B&C	Unaffiliated Entity #12	Sep-2003	AZ	Bill Production	0.85	1.50	(0.65)
44	Space & Furn.	Unaffiliated Entity #13	Jul-2003		Office Rent- 1801 California St.	28.48sqft/year	26.86sqft/year	1.62
45	Space & Furn.	Unaffiliated Entity #14	Jan-2003		Office Rent- 1801 California St.	28.00sqft/year	26.86sqft/year	1.14
46	Space & Furn.	Unaffiliated Entity #14	Sep-2003		Office Rent- 1801 California St.	28.00sqft/year	26.86sqft/year	1.14
47	Space & Furn.	Unaffiliated Entity #15	Feb-2003		Office Rent- 1801 California St.	19.99sqft/year	26.86sqft/year	(6.87)
48	Space & Furn.	Unaffiliated Entity #15	Apr-2003		Office Rent- 1801 California St.	20.00sqft/year	26.86sqft/year	(6.86)
49	B&C	Unaffiliated Entity #16	Jan-2003	WY	Bill Production	0.391	1.50	(1.109)
50	B&C	Unaffiliated Entity #16	Mar-2003	ND	Bill Production	0.391	1.50	(1.109)
51	B&C	Unaffiliated Entity #17	Apr-2003	UT	Customer Initiated, Customer Issued Adjustment	0.055	0.035	0.02

Differences Noted in the Rates Charged to OCC and Unaffiliated Entities for Space & Furniture Rentals, CARE Services and B&C Services								
Line	Service	Unaffiliated Entity	Month	State	Service	Non-Affiliate Rate	OCC Rate	Difference
52	B&C	Unaffiliated Entity #17	Apr-2003	MT	Customer Initiated, Customer Issued Adjustment	0.055	0.035	0.02
53	B&C	Unaffiliated Entity #18	Feb-2003	NE	Bill Production	1.25	1.50	(0.25)
54	B&C	Unaffiliated Entity #18	Feb-2003	ND	Bill Production	1.25	1.50	(0.25)
55	B&C	Unaffiliated Entity #18	Feb-2003	IA	Bill Production	1.25	1.50	(0.25)
56	B&C	Unaffiliated Entity #18	Mar-2003	UT	Bill Production	1.25	1.50	(0.25)
57	B&C	Unaffiliated Entity #18	May-2003	WA	Bill Production	1.25	1.50	(0.25)
58	B&C	Unaffiliated Entity #18	Jul-2003	MN	Bill Production	1.25	1.50	(0.25)
59	B&C	Unaffiliated Entity #18	Sep-2003	WA	Bill Production	1.25	1.50	(0.25)
60	B&C	Unaffiliated Entity #19	Mar-2003	UT	Customer Initiated, Customer Issued Adjustment	0.055	0.035	0.02
61	B&C	Unaffiliated Entity #19	Apr-2003	CO	Customer Initiated, Customer Issued Adjustment	0.055	0.035	0.02

Differences Noted in the Rates Charged to QEDC and Unaffiliated Entities for Space & Furniture Rentals, CARE Services and B&C Services								
Line	Service	Unaffiliated Entity	Month	State	Service	Non-Affiliate Rate	QEDC Rate	Difference
1	B&C	Unaffiliated Entity #1	May-2003	NE	Bill Production	\$1.40	\$1.50	\$(0.10)
2	B&C	Unaffiliated Entity #1	May-2003	NE	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
3	B&C	Unaffiliated Entity #1	Sep-2003	WY	Bill Production	1.55	1.50	0.05
4	B&C	Unaffiliated Entity #20	Apr-2003	UT	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
5	B&C	Unaffiliated Entity #2	Sep-2003	WY	Bill Production	0.98	1.50	(0.52)
6	B&C	Unaffiliated Entity #2	Sep-2003	WY	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
7	B&C	Unaffiliated Entity #3	Jun-2003	IA	Bill Production	0.87	1.50	(0.63)
8	B&C	Unaffiliated Entity #3	Aug-2003	ID-S	Bill Production	1.75	1.50	0.25
9	B&C	Unaffiliated Entity #4	Feb-2003	ND	Bill Production	1.32	1.50	(0.18)
10	B&C	Unaffiliated Entity #4	Feb-2003	OR	Bill Production	1.32	1.50	(0.18)
11	B&C	Unaffiliated Entity #4	Apr-2003	ID-N	Bill Production	1.32	1.50	(0.18)
12	B&C	Unaffiliated Entity #4	May-2003	ND	Bill Production	1.32	1.50	(0.18)
13	B&C	Unaffiliated Entity #5	Apr-2003	UT	Bill Production	0.90	1.50	(0.60)
14	B&C	Unaffiliated Entity #5	Apr-2003	UT	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
15	B&C	Unaffiliated Entity #5	Sep-2003	CO	Bill Production	0.90	1.50	(0.60)
16	B&C	Unaffiliated Entity #5	Sep-2003	CO	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
17	B&C	Unaffiliated Entity #7	Feb-2003	CO	Bill Production	0.395	1.50	(1.11)
18	B&C	Unaffiliated Entity #7	Mar-2003	ID-N	Bill Production	0.395	1.50	(1.11)
19	B&C	Unaffiliated Entity #7	Apr-2003	NE	Bill Production	0.395	1.50	(1.11)
20	B&C	Unaffiliated Entity #8	Jun-2003	ID-S	Bill Production	1.65	1.50	0.15
21	B&C	Unaffiliated Entity #8	Jul-2003	ND	Bill Production	1.65	1.50	0.15
22	B&C	Unaffiliated Entity #8	Aug-2003	OR	Bill Production	1.65	1.50	0.15
23	B&C	Unaffiliated Entity #10	May-2003	CO	Bill Production	1.45	1.50	(0.05)
24	B&C	Unaffiliated Entity #10	May-2003	CO	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
25	B&C	Unaffiliated Entity #10	Jun-2003	ND	Bill Production	1.45	1.50	(0.05)
26	B&C	Unaffiliated Entity #10	Jun-2003	ND	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)

Differences Noted in the Rates Charged to QEDC and Unaffiliated Entities for Space & Furniture Rentals, CARE Services and B&C Services								
Line	Service	Unaffiliated Entity	Month	State	Service	Non-Affiliate Rate	QEDC Rate	Difference
27	B&C	Unaffiliated Entity #11	Mar-2003	WY	Bill Production	0.90	1.50	(0.60)
28	B&C	Unaffiliated Entity #11	Jul-2003	ID-S	Bill Production	0.90	1.50	(0.60)
29	B&C	Unaffiliated Entity #11	Jul-2003	ID-S	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
30	B&C	Unaffiliated Entity #12	Feb-2003	NE	Bill Production	0.85	1.50	(0.65)
31	B&C	Unaffiliated Entity #12	Mar-2003	UT	Bill Production	0.85	1.50	(0.65)
32	B&C	Unaffiliated Entity #12	May-2003	MT	Bill Production	0.85	1.50	(0.65)
33	B&C	Unaffiliated Entity #16	Mar-2003	ND	Bill Production	0.391	1.50	(1.11)
34	B&C	Unaffiliated Entity #18	Feb-2003	NE	Bill Production	1.25	1.50	(0.25)
35	B&C	Unaffiliated Entity #18	Feb-2003	ND	Bill Production	1.25	1.50	(0.25)
36	B&C	Unaffiliated Entity #18	Feb-2003	IA	Bill Production	1.25	1.50	(0.25)
37	B&C	Unaffiliated Entity #18	Mar-2003	UT	Bill Production	1.25	1.50	(0.25)
38	B&C	Unaffiliated Entity #18	Mar-2003	UT	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
39	B&C	Unaffiliated Entity #18	May-2003	WA	Bill Production	1.25	1.50	(0.25)
40	B&C	Unaffiliated Entity #18	May-2003	WA	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
41	B&C	Unaffiliated Entity #18	Jul-2003	MN	Bill Production	1.25	1.50	(0.25)
42	B&C	Unaffiliated Entity #18	Sep-2003	WA	Bill Production	1.25	1.50	(0.25)
43	B&C	Unaffiliated Entity #18	Sep-2003	WA	Customer Initiated, Customer Issued Adjustment	0.035	0.055	(0.02)
44	CARE	Unaffiliated Entity #18	Jun-2003		CARE Access Line IntraLATA	0.00	0.06	(0.06)
45	CARE	Unaffiliated Entity #18	Jun-2003		CARE Access Line IntraLATA	0.00	0.06	(0.06)

Section 272 (e)(1) Performance Metric Business Rules
OP-3-272 – Installation Commitments Met By Due Date

Purpose: Evaluates the extent to which Qwest installs services for Customers by the scheduled due date.	
Description: Measures the percentage of orders for which the scheduled due date is met. <ul style="list-style-type: none"> All inward Switched and Special Access orders (Change, New, and Transfer order types) assigned a due date by Qwest and which are completed/closed during the reporting period are measured, subject to exclusions specified below. Change order types included in this measurement consist of all C orders representing inward activity (with "I" and "T" action coded line USOCs). Also included are orders with customer-requested due dates longer than the standard interval. Completion date on or before the Applicable Due Date recorded by Qwest is counted as a met due date. The Applicable Due Date is the original due date or, if changed or delayed by the customer, the most recently revised due date, subject to the following: If Qwest changes a due date for Qwest reasons, the Applicable Due Date is the customer-initiated due date, if any, that is (a) subsequent to the original due date and (b) prior to a Qwest-initiated, changed due date, if any. 	
Reporting Period: One month	Unit of Measure: Percent
Reporting Comparisons: QLDC (QCC) aggregate and IXC Non-Affiliates results.	Disaggregation Reporting: Statewide level and Region level.
Formula: $\frac{[(\text{Total Orders Completed in the reporting period on or before the Applicable Due Date}) \div (\text{Total Orders Completed in the Reporting Period})] \times 100}{}$	
Explanation: The percent commitments met is obtained by dividing the total number of service orders completed on or before the Applicable Due Date (as defined in the description above) by the total number of service orders completed during the measurement period.	
Exclusions: <ul style="list-style-type: none"> Disconnect, From (another form of disconnect) and Record order types. Due dates missed for standard categories of customer and non-Qwest reasons. Standard categories of customer reasons are: previous service at the location did not have a customer-requested disconnect order issued, no access to customer premises, and customer hold for payment. Standard categories of non-Qwest reasons are: Weather, Disaster, and Work Stoppage. Records involving official company services. Records with invalid due dates or application dates. Records with invalid completion dates. Records with invalid product codes. Records missing data essential to the calculation of the measurement per the SPMD. 	
Product Reporting: <ul style="list-style-type: none"> DS0 DS1 DS3 OCN FG-D Frame Relay 	Standards: <ul style="list-style-type: none"> Parity with IXC Non-Affiliates DS0 Parity with IXC Non-Affiliates DS1 Parity with IXC Non-Affiliates DS3 Parity with IXC Non-Affiliates OCN Parity with IXC Non-Affiliates FG-D Parity with IXC N-Affiliates Frame Relay
Availability: Qwest will provide reporting on this measure one month following LD operation offered out of QCC for the month service is first offered.	Notes:

Section 272 (e)(1) Performance Metric Business Rules
OP-4-272 – Installation Interval

Purpose: Evaluates the timeliness of Qwest's installation of services for customers, focusing on the average time to install service.	
Description: Measures the average interval (in business days) ^{NOTE 1} between the application date and the completion date for Switched and Special Access service orders accepted and implemented. <ul style="list-style-type: none"> Includes all inward orders (Change, New, and Transfer order types) assigned a due date by Qwest and which are completed/closed during the reporting period, subject to exclusions specified below. Change order types for additional lines consist of all C orders representing inward activity (with "I" and "T" action coded line USOCs). Intervals for each measured event are counted in whole days: the application date is day zero (0); the day following the application date is day one (1). The Applicable Due Date is the original due date or, if changed or delayed by the customer, the most recently revised due date, subject to the following: If Qwest changes a due date for Qwest reasons, the Applicable Due Date is the customer-initiated due date, if any, that is (a) subsequent to the original due date and (b) prior to a Qwest-initiated, changed due date, if any. Time intervals associated with customer-initiated due date changes or delays occurring after the Applicable Due Date, as applied in the formula below, are calculated by subtracting the latest Qwest-initiated due date, if any, following the Applicable Due Date, from the subsequent customer-initiated due date, if any. 	
Reporting Period: One month	Unit of Measure: Average Business Days
Reporting Comparisons: QLDC (QCC) aggregate and IXC Non-Affiliates results.	Disaggregation Reporting: Statewide level and Region level.
Formula: $\frac{\sum[(\text{Order Completion Date}) - (\text{Order Application Date}) - (\text{Time interval between the Original Due Date and the Applicable Date}) - (\text{Time intervals associated with customer-initiated due date changes or delays occurring after the Applicable Due Date})]}{\text{Total Number of Orders Completed in the reporting period}}$	
Explanation: The average installation interval is derived by dividing the sum of installation intervals for all orders (in business days) ^{NOTE 1} by total number of service orders completed in the reporting period.	
Exclusions: <ul style="list-style-type: none"> Orders with customer requested original due dates greater than the current standard interval. Disconnect, From (another form of disconnect) and Record order types. Records involving official company services. Records with invalid due dates or application dates. Records with invalid completion dates. Records with invalid product codes. Records missing data essential to the calculation of the measurement per the SPMD. 	
Product Reporting: <ul style="list-style-type: none"> DS0 DS1 DS3 OCN FG-D Frame Relay 	Standards: <ul style="list-style-type: none"> Parity with IXC Non-Affiliates DS0 Parity with IXC Non-Affiliates DS1 Parity with IXC Non-Affiliates DS3 Parity with IXC Non-Affiliates OCN Parity with IXC Non-Affiliates FG-D Parity with IXC Non-Affiliates Frame Relay
Availability: Qwest will provide reporting on this measure one month following LD operation offered out of QCC for the month service is first offered.	Notes: <ol style="list-style-type: none"> Saturday is counted as a business day when the service order is due or completed on Saturday.

Section 272 (e)(1) Performance Metric Business Rules
PO-5-272 – Firm Order Confirmations (FOCs) On Time

Purpose: Monitors the timeliness with which Qwest returns Firm Order Confirmations (FOCs) to IXCs in response to ASRs received from IXC, focusing on the degree to which FOCs are provided within specified intervals.							
Description: Measures the percentage of Firm Order Confirmations (FOCs) that are provided to IXCs within the intervals specified under "Standards" below for FOC notifications. <ul style="list-style-type: none"> • Includes all Switched and Special Access ASRs that are submitted through the specified interface or in the specified manner (i.e., facsimile) that receive an FOC during the reporting period, subject to exclusions specified below. • The interval measured is the period between the application date and time, as defined herein, and Qwest's response with a FOC notification (notification date and time). • ASRs are measured only in business days. • ASRs will be evaluated according to the FOC interval categories shown in the "standards" section below, based on the number of lines/services requested on the ASR. 							
Reporting Period: One month	Unit of Measure: Percent						
Reporting Comparisons: QLDC (QCC) aggregate and IXC Non-Affiliates results.	Disaggregation Reporting: Statewide level and Region level.						
Formula: $\left[\frac{\text{Count of ASRs for which the original FOCs " (FOC Notification Date \& Time) - (Application Date \& Time)" is within the intervals specified for the service category involved}}{\text{Total Number of original FOC Notifications transmitted for the service category in the reporting period}} \right] \times 100$							
Exclusions: <ul style="list-style-type: none"> • ASRs involving individual case basis (ICB) handling based on quantities of lines, as specified in the Service Interval Guide for Access Services or for service/request types deemed to be projects. • Hours on Weekends and holidays. • ASRs with IXC-requested FOC arrangements different from standard FOC arrangements. • Records with invalid product codes. • Records missing data essential to the calculation of the measurement per the SPMD. • Invalid start/stop dates/times. • Records with invalid application or confirmation dates.. 							
Product Reporting:	Standard:						
<ul style="list-style-type: none"> • DS0 • DS1 • DS3 • OCN • FG-D 	<ul style="list-style-type: none"> • Parity with IXC Non-Affiliates DS0 • Parity with IXC Non-Affiliates DS1 • Parity with IXC Non-Affiliates DS3 • Parity with IXC Non-Affiliates OCN • Parity with IXC Non-Affiliates FG-D 						
	<table border="1"> <thead> <tr> <th>Product Group</th> <th>FOC Interval ^{NOTE 1}</th> </tr> </thead> <tbody> <tr> <td>DS0, DS1, DS3 & Higher</td> <td>3 Business Days</td> </tr> <tr> <td>Feature Group D</td> <td>5 Business Days</td> </tr> </tbody> </table>	Product Group	FOC Interval ^{NOTE 1}	DS0, DS1, DS3 & Higher	3 Business Days	Feature Group D	5 Business Days
Product Group	FOC Interval ^{NOTE 1}						
DS0, DS1, DS3 & Higher	3 Business Days						
Feature Group D	5 Business Days						
Availability: Qwest will provide reporting on this measure one month following LD operation offered out of QCC for the month service is first offered.	Notes: 1. For ASRs where the due date interval in the Service Interval Guide for Access Services is ICB, the FOC interval is ICB.						

Section 272 (e)(1) Performance Metric Business Rules
PC-1-272 – Timely IXC Initiated PIC Change Requests

Purpose: Evaluates the timeliness of IXC initiated PIC Change Requests ^{NOTE 1} processed by time intervals.	
Description: Measures the percentage of IXC initiated PIC change requests completed within the specified interval; e.g. one or three days. <ul style="list-style-type: none"> • Includes all IXC initiated PIC change requests received for processing Monday – Friday by 10:00 p.m. MT and Saturday by 5:30 p.m. MT, during the reporting period. • Timely PIC change requests include all IXC initiated PIC change requests processed within the specified interval. 	
Reporting Period: One month	Unit of Measure: Percent
Reporting Comparisons: QLDC (QCC) aggregate and IXC Non-Affiliates results .	Disaggregation Reporting: Statewide and Region level. PC-1A PIC changes within one business days. PC-1B PIC changes within three business days.
Formula: Formula: ((Total IXC initiated PIC change requests, received by the specified cutoff time and completed within the specified interval in the reporting period), ÷ (Total number of IXC initiated PIC change requests completed in the reporting period)) x 100.	
Exclusions: <ul style="list-style-type: none"> • Records with invalid file creation dates and network updates. • Records with missing data essential to the calculation of the measurement per the SPMD. 	
Product Reporting: None	Standard: Parity
Availability: Available	Notes: 1. PIC Changes included in this measurement consist of IXC initiated requests to change InterLATA and/or intraLATA primary interexchange carriers.

Section 272 (e)(1) Performance Metric Business Rules
MR-5-272 – All Troubles Cleared within 4 hours

<p>Purpose: Evaluates timeliness of repair for specified services, focusing on all trouble reports of all types (including out of service and service affecting troubles) and on the number of such trouble reports cleared within the standard estimate for specified services (i.e., 4 hours).</p>	
<p>Description: Measures the percentage of Switched and Special Access trouble reports for specified services that are cleared within 4 hours of receipt of trouble reports from IXCs or from retail customers.</p> <ul style="list-style-type: none"> • Includes all trouble reports, closed during the reporting period, which involve a specified service, subject to exclusions specified below. • Time measured is from date and time of receipt to date and time trouble is cleared. 	
<p>Reporting Period: One month</p>	<p>Unit of Measure: Percent</p>
<p>Reporting Comparisons: QLDC (QCC) aggregate and IXC Non-Affiliates results .</p>	<p>Disaggregation Reporting: Statewide level and Region level.</p>
<p>Formula: [(Number of Trouble Reports closed in the reporting period that are cleared within 4 hours) ÷ (Total Trouble Reports closed in the reporting period)] x 100</p>	
<p>Exclusions:</p> <ul style="list-style-type: none"> • Trouble reports coded to trouble codes for Carrier Action (IXC) and Customer Provided Equipment (CPE). • Subsequent trouble reports of any trouble before the original trouble report is closed. • Information tickets generated for internal Qwest system/network monitoring purposes. • Time delays due to “no access” are excluded from repair time. • Trouble reports on the day of installation before the installation work is reported by the technician/installer as complete. • Records involving official company services. • Records with invalid trouble receipt dates. • Records with invalid cleared or closed dates. • Records with invalid product codes. • Records missing data essential to the calculation of the measurement per the SPMD. 	
<p>Product Reporting:</p> <ul style="list-style-type: none"> • DS0 • DS1 • DS3 • OCN • FG-D • Frame Relay 	<p>Standards:</p> <ul style="list-style-type: none"> • Parity with IXC Non-Affiliates DS0 • Parity with IXC Non-Affiliates DS1 • Parity with IXC Non-Affiliates DS3 • Parity with IXC Non-Affiliates DS3 • Parity with IXC Non-Affiliates FG-D • Parity with IXC Non-Affiliates Frame Relay
<p>Availability: Qwest will provide reporting on this measure one month following LD operation offered out of QCC for the month service is first offered.</p>	<p>Notes:</p>

Section 272 (e)(1) Performance Metric Business Rules
MR-6-272 – Mean Time to Restore

Purpose: Evaluates timeliness of repair, focusing how long it takes to restore services to proper operation.	
Description: Measures the time actually taken to clear trouble reports. <ul style="list-style-type: none"> • Includes all Switched and Special Access trouble reports closed during the reporting period, subject to exclusions specified below. • Includes customer direct reports, customer-relayed reports, and test assist reports that result in a trouble report. • Time measured is from date and time of receipt to date and time trouble is cleared. 	
Reporting Period: One month	Unit of Measure: Hours and Minutes
Reporting Comparisons: QLDC (QCC) aggregate and IXC Non-Affiliates results .	Disaggregation Reporting: Statewide level and Region level.
Formula: $\frac{\sum[(\text{Date \& Time Trouble Report Cleared}) - (\text{Date \& Time Trouble Report Opened})]}{(\text{Total number of Trouble Reports closed in the reporting period})}$	
Exclusions: <ul style="list-style-type: none"> • Trouble reports coded to trouble codes for Carrier Action (IXC) and Customer Provided Equipment (CPE). • Subsequent trouble reports of any trouble before the original trouble report is closed. • Information tickets generated for internal Qwest system/network monitoring purposes. • Time delays due to “no access” are excluded. • Trouble reports on the day of installation before the installation work is reported by the technician/installer as complete. • Records involving official company services. • Records with invalid trouble receipt dates. • Records with invalid cleared or closed dates. • Records with invalid product codes. • Records missing data essential to the calculation of the measurement per the SPMD. 	
Product Reporting: <ul style="list-style-type: none"> • DS0 • DS1 • DS3 • OCN • FG-D • Frame Relay 	Standards: <ul style="list-style-type: none"> • Parity with IXC Non-Affiliates DS0 • Parity with IXC Non-Affiliates DS1 • Parity with IXC Non-Affiliates DS3 • Parity with IXC Non-Affiliates OCN • Parity with IXC Non-Affiliates FG-D • Parity with IXC Non-Affiliates Frame Relay
Availability: Qwest will provide reporting on this measure one month following LD operation offered out of QCC for the month service is first offered.	Notes: 1. Saturday is counted as a business day when the repair is completed on Saturday.

Section 272 (e)(1) Performance Metric Business Rules
MR-8-272 – Trouble Rate

Purpose: Evaluates the overall rate of Special Access trouble reports as a percentage of the total installed base of the service or element.	
Description: Measures Switched and Special Access trouble reports by product and compares them to the number of lines in service. <ul style="list-style-type: none"> • Includes all trouble reports closed during the reporting period, subject to exclusions specified below. • Includes all applicable trouble reports, including those that are out of service and those that are only service-affecting. 	
Reporting Period: One month	Unit of Measure: Percent
Reporting Comparisons: QLDC (QCC) aggregate and IXC Non-Affiliates results .	Disaggregation Reporting: Statewide level and Region level.
Formula: $\left[\frac{\text{(Total number of trouble reports closed in the reporting period involving the specified service grouping)}}{\text{(Total number of the specified services that are in service in the reporting period)}} \right] \times 100$	
Exclusions: <ul style="list-style-type: none"> • Trouble reports coded to trouble codes for Carrier Action (IXC) and Customer Provided Equipment (CPE). • Subsequent trouble reports of any trouble before the original trouble report is closed. • Information tickets generated for internal Qwest system/network monitoring purposes. • Trouble reports on the day of installation before the installation work is reported by the technician/installer as complete. • Records involving official company services. • Records with invalid trouble receipt dates. • Records with invalid cleared or closed dates. • Records with invalid product codes. • Records missing data essential to the calculation of the measurement per the SPMD. 	
Product Reporting: <ul style="list-style-type: none"> • DS0 • DS1 • DS3 • OCN • FG-D • Frame Relay 	Standards: <ul style="list-style-type: none"> • Parity with IXC Non-Affiliates DS0 • Parity with IXC Non-Affiliates DS1 • Parity with IXC Non-Affiliates DS3 • Parity with IXC Non-Affiliates DS3 • Parity with IXC Non-Affiliates FG-D • Parity with IXC Non-Affiliates Frame Relay
Availability: Qwest will provide reporting on this measure one month following LD operation offered out of QCC for the month service is first offered.	Notes:

Attachment A-10 Qwest Corporation Section 272(e)(1) Performance Metric Results For the Engagement Period

Attachment A-11 Graphs of Qwest Corporation Section 272(e)(1) Performance Metric Results For the Engagement Period

See the Separate Binder included with this report that includes Attachments A-10 and A-11 in their entirety.

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
1	AZ	OHD	U7CPT	ORR ¹	0.445, (0.0963), (0.4350), 0.4444	Unaffiliated Carrier 2	(0.43)	0.44	583
2	AZ	OHD	U7CPT	ORR	0.445, (0.0963), (0.4350), 0.4444	Unaffiliated Carrier 7	(0.43)	0.44	313
3	AZ	OHD	U7CPT	ORR	0.445, (0.0963), (0.4350), 0.4444	Unaffiliated Carrier 6	(0.42)	0.43	1,142
4	AZ	OHD	U7CPT	ORR	0.445, (0.0963), (0.4350), 0.4444	Unaffiliated Carrier 3	(0.42)	0.44	484
5	AZ	OHD	U7CPT	ORR	0.445, (0.0963), (0.4350), 0.4444	Unaffiliated Carrier 1	(0.35)	0.36	2,044
6	CO	OHD	U7CPT	ORR	0.4444, 0.445, (0.435),(0.3525)	Unaffiliated Carrier 7	(0.42)	0.43	264
7	CO	OHD	U7CPT	ORR	0.4444, 0.445, (0.435),(0.3525)	Unaffiliated Carrier 2	(0.41)	0.42	139
8	CO	OHD	U7CPT	ORR	0.4444, 0.445, (0.435),(0.3525)	Unaffiliated Carrier 3	(0.41)	0.44	638
9	CO	OHD	U7CPT	ORR	0.4444, 0.445, (0.435),(0.3525)	Unaffiliated Carrier 1	(0.27)	0.08	6
10	CO	OHD	U7CPT	BRR ²	0.3267	Unaffiliated Carrier 2	0.15	0.45	391
11	CO	OHD	U7CPT	BRR	0.3267	Unaffiliated Carrier 7	0.15	0.45	168
12	CO	OHD	U7CPT	BRR	0.3267	Unaffiliated Carrier 3	0.16	0.46	1,055
13	CO	OHD	U7CPT	BRR	0.3267	Unaffiliated Carrier 6	0.20	0.46	589
14	CO	OHD	U7CPT	BRR	0.3267	Unaffiliated Carrier 1	0.24	0.46	993
15	IA	OHD	U7CPT	ORR	0.4450	Unaffiliated Carrier 2	(0.44)	0.44	374
16	IA	OHD	U7CPT	ORR	0.4450	Unaffiliated Carrier 7	(0.43)	0.44	132
17	IA	OHD	U7CPT	ORR	0.4450	Unaffiliated Carrier 3	(0.41)	0.41	689
18	IA	OHD	U7CPT	ORR	0.4450	Unaffiliated Carrier 6	(0.36)	0.37	430
19	IA	OHD	U7CPT	ORR	0.4450	Unaffiliated Carrier 1	(0.30)	0.30	620
20	IA	OHD	U7CPT	BRR	0.2850	Unaffiliated Carrier 7	0.03	0.45	65

¹ Revenue type "ORR" represents other recurring revenue.

² Revenue type "BRR" represents billed recurring revenue.

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate						Billed to Unaffiliated Carriers			
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
21	IA	OHD	U7CPT	BRR	0.2850	Unaffiliated Carrier 3	0.12	0.46	410
22	IA	OHD	U7CPT	BRR	0.2850	Unaffiliated Carrier 2	0.14	0.46	251
23	IA	OHD	U7CPT	BRR	0.2850	Unaffiliated Carrier 6	0.16	0.46	212
24	IA	OHD	U7CPT	BRR	0.2850	Unaffiliated Carrier 1	0.18	0.46	494
25	MN	OHD	U7CPT	ORR	0.4444, 0.445, (0.435)	Unaffiliated Carrier 2	(0.44)	0.44	508
26	MN	OHD	U7CPT	ORR	0.4444, 0.445, (0.435)	Unaffiliated Carrier 7	(0.43)	0.44	183
27	MN	OHD	U7CPT	ORR	0.4444, 0.445, (0.435)	Unaffiliated Carrier 3	(0.41)	0.41	1,787
28	MN	OHD	U7CPT	ORR	0.4444, 0.445, (0.435)	Unaffiliated Carrier 1	(0.36)	0.37	1,192
29	MN	OHD	U7CPT	ORR	0.4444, 0.445, (0.435)	Unaffiliated Carrier 6	(0.35)	0.35	942
30	MT	OHD	U7CPT	ORR	0.4444	Unaffiliated Carrier 7	(0.44)	0.44	35
31	MT	OHD	U7CPT	ORR	0.4444	Unaffiliated Carrier 2	(0.40)	0.41	100
32	MT	OHD	U7CPT	ORR	0.4444	Unaffiliated Carrier 3	(0.39)	0.40	111
33	MT	OHD	U7CPT	ORR	0.4444	Unaffiliated Carrier 6	(0.34)	0.35	152
34	MT	OHD	U7CPT	ORR	0.4444	Unaffiliated Carrier 1	(0.32)	0.33	140
35	NE	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 7	(0.42)	0.43	90
36	NE	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 2	(0.41)	0.42	140
37	NE	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 6	(0.40)	0.41	310
38	NE	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 3	(0.38)	0.39	394
39	NE	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 1	(0.23)	0.32	100
40	NM	OHD	U7CPT	ORR	0.3912, (0.435)	Unaffiliated Carrier 2	(0.43)	0.44	267
41	NM	OHD	U7CPT	ORR	0.3912, (0.435)	Unaffiliated Carrier 7	(0.42)	0.43	121
42	NM	OHD	U7CPT	ORR	0.3912, (0.435)	Unaffiliated Carrier 3	(0.41)	0.42	227
43	NM	OHD	U7CPT	ORR	0.3912, (0.435)	Unaffiliated Carrier 1	(0.34)	0.35	562
44	NM	OHD	U7CPT	ORR	0.3912, (0.435)	Unaffiliated Carrier 6	(0.27)	0.28	378
45	NM	OHD	U7CPT	BRR	0.3771	Unaffiliated Carrier 6	0.13	0.43	189
46	NM	OHD	U7CPT	BRR	0.3771	Unaffiliated Carrier 3	0.15	0.44	326
47	NM	OHD	U7CPT	BRR	0.3771	Unaffiliated Carrier 7	0.21	0.43	61
48	NM	OHD	U7CPT	BRR	0.3771	Unaffiliated Carrier 1	0.24	0.44	253
49	NM	OHD	U7CPT	BRR	0.3771	Unaffiliated Carrier 2	0.29	0.46	129
50	OR	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 7	(0.42)	0.43	134

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
51	OR	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 2	(0.41)	0.42	159
52	OR	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 3	(0.41)	0.41	1,241
53	OR	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 1	(0.32)	0.33	336
54	OR	OHD	U7CPT	ORR	(0.4350)	Unaffiliated Carrier 6	(0.26)	0.27	40
55	UT	OHD	U7CPT	ORR	0.4450, (0.4350)	Unaffiliated Carrier 3	(0.39)	0.40	260
56	UT	OHD	U7CPT	ORR	0.4450, (0.4350)	Unaffiliated Carrier 7	(0.33)	0.34	120
57	UT	OHD	U7CPT	ORR	0.4450, (0.4350)	Unaffiliated Carrier 1	(0.29)	0.32	28
58	UT	OHD	U7CPT	BRR	0.3358	Unaffiliated Carrier 3	0.12	0.44	365
59	UT	OHD	U7CPT	BRR	0.3358	Unaffiliated Carrier 6	0.15	0.44	225
60	UT	OHD	U7CPT	BRR	0.3358	Unaffiliated Carrier 1	0.15	0.43	584
61	UT	OHD	U7CPT	BRR	0.3358	Unaffiliated Carrier 2	0.15	0.46	176
62	UT	OHD	U7CPT	BRR	0.3358	Unaffiliated Carrier 7	0.26	0.44	59
63	WA	OHD	U7CPT	ORR	0.4450, 0.4444, 0.3912, (0.0431), (0.435)	Unaffiliated Carrier 7	(0.41)	0.42	196
64	WA	OHD	U7CPT	ORR	0.4450, 0.4444, 0.3912, (0.0431), (0.435)	Unaffiliated Carrier 2	(0.38)	0.44	163
65	WA	OHD	U7CPT	ORR	0.4450, 0.4444, 0.3912, (0.0431), (0.435)	Unaffiliated Carrier 1	(0.37)	0.34	68
66	WA	OHD	U7CPT	ORR	0.4450, 0.4444, 0.3912, (0.0431), (0.435)	Unaffiliated Carrier 3	(0.37)	0.38	1,961
67	WA	OHD	U7CPT	ORR	0.4450, 0.4444, 0.3912, (0.0431), (0.435)	Unaffiliated Carrier 4	(0.08)	0.08	2
68	WA	OHD	U7CPT	ORR	0.4450, 0.4444, 0.3912, (0.0431), (0.435)	Unaffiliated Carrier 6	(0.03)	0.32	11
69	CO	XDH1X	TMECS	BRR	132.25	Unaffiliated Carrier 1	112.30	120.00	2,893
70	CO	XDH1X	TMECS	BRR	132.25	Unaffiliated Carrier 2	112.30	120.00	221
71	CO	XDH1X	TMECS	BRR	132.25	Unaffiliated Carrier 3	112.30	120.00	1,537
72	CO	XDH1X	TMECS	BRR	132.25	Unaffiliated Carrier 4	112.30	120.00	53
73	CO	XDH1X	TMECS	BRR	132.25	Unaffiliated Carrier 5	112.30	120.00	7
74	CO	XDH1X	TMECS	BRR	132.25	Unaffiliated Carrier 6	112.30	120.00	570
75	CO	XDH1X	TMECS	BRR	132.25	Unaffiliated Carrier 7	112.30	120.00	31

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers for Exchange Access Service, December 2003 Billings

Billed to Section 272 Affiliate

Billed to Unaffiliated Carriers

Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
76	MN	XDHI	TMCS	BRR	132.25	Unaffiliated Carrier 1	0.00	120.00	3,713
77	MN	XDHI	TMCS	BRR	132.25	Unaffiliated Carrier 2	0.00	120.00	345
78	MN	XDHI	TMCS	BRR	132.25	Unaffiliated Carrier 6	0.00	120.00	1,102
79	MN	XDHI	TMCS	BRR	132.25	Unaffiliated Carrier 3	110.00	120.00	1,794
80	MN	XDHI	TMCS	BRR	132.25	Unaffiliated Carrier 4	112.30	120.00	811
81	MN	XDHI	TMCS	BRR	132.25	Unaffiliated Carrier 7	112.30	120.00	32
82	MN	XDHI	TMCS	BRR	132.25	Unaffiliated Carrier 5	120.00		5
83	WA	XDHI	TMCS	ORR	28.00	Unaffiliated Carrier 3 (831.83)	(831.83)	280.75	117
84	WA	XDHI	TMCS	ORR	28.00	Unaffiliated Carrier 1 (168.00)	(168.00)	136.66	160
85	WA	XDHI	TMCS	ORR	28.00	Unaffiliated Carrier 6 (127.84)	(127.84)	489.33	145
86	WA	XDHI	TMCS	ORR	28.00	Unaffiliated Carrier 2 (86.10)	(86.10)	44.00	11
87	WA	XDHI	TMCS	ORR	28.00	Unaffiliated Carrier 4 (76.00)	(76.00)	26.20	2
88	WA	XDHI	TMCS	BRR	120.00, (112.30)	Unaffiliated Carrier 1	112.30	132.25	2,313
89	WA	XDHI	TMCS	BRR	120.00, (112.30)	Unaffiliated Carrier 2	112.30	132.25	127
90	WA	XDHI	TMCS	BRR	120.00, (112.30)	Unaffiliated Carrier 3	112.30	132.25	1,156
91	WA	XDHI	TMCS	BRR	120.00, (112.30)	Unaffiliated Carrier 4	112.30	132.25	35
92	WA	XDHI	TMCS	BRR	120.00, (112.30)	Unaffiliated Carrier 5	112.30	132.25	5
93	WA	XDHI	TMCS	BRR	120.00, (112.30)	Unaffiliated Carrier 6	112.30	132.25	578
94	WA	XDHI	TMCS	BRR	120.00, (112.30)	Unaffiliated Carrier 7	112.30	132.25	11
95	CO	PMX	RFB3X	OBN	13.16	Unaffiliated Carrier 1	0.04	205.16	359
96	CO	PMX	RFB3X	OBN	13.16	Unaffiliated Carrier 2	0.04	43.76	190
97	CO	PMX	RFB3X	OBN	13.16	Unaffiliated Carrier 3	0.04	144.04	413
98	CO	PMX	RFB3X	OBN	13.16	Unaffiliated Carrier 4	0.04	9.16	315
99	CO	PMX	RFB3X	OBN	13.16	Unaffiliated Carrier 6	0.04	89.60	200
100	CO	PMX	RFB3X	OBN	13.16	Unaffiliated Carrier 7	0.04	4.44	90
101	MN	PMX	RFB3X	OBN	0.24	Unaffiliated Carrier 1	0.04	176.04	326
102	MN	PMX	RFB3X	OBN	0.24	Unaffiliated Carrier 2	0.04	16.12	222
103	MN	PMX	RFB3X	OBN	0.24	Unaffiliated Carrier 3	0.04	127.32	354
104	MN	PMX	RFB3X	OBN	0.24	Unaffiliated Carrier 4	0.04	9.28	143
105	MN	PMX	RFB3X	OBN	0.24	Unaffiliated Carrier 6	0.04	65.72	191
106	MN	PMX	RFB3X	OBN	0.24	Unaffiliated Carrier 7	0.04	1.32	65
107	AZ	OHD	P4TWX	BRR	4.62	Unaffiliated Carrier 7	0.09	5.94	128

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers for Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
108	AZ	OHD	P4TWX	BRR	4.62	Unaffiliated Carrier 2	0.18	7.12	460
109	AZ	OHD	P4TWX	BRR	4.62	Unaffiliated Carrier 3	0.27	9.01	1,580
110	AZ	OHD	P4TWX	BRR	4.62	Unaffiliated Carrier 6	0.27	6.85	919
111	AZ	OHD	P4TWX	BRR	4.62	Unaffiliated Carrier 1	0.36	2.00	2,225
112	CO	OHD	P4TWX	BRR	4.38	Unaffiliated Carrier 3	0.09	6.00	1,721
113	CO	OHD	P4TWX	BRR	4.38	Unaffiliated Carrier 7	0.18	6.04	147
114	CO	OHD	P4TWX	BRR	4.38	Unaffiliated Carrier 2	0.36	6.13	507
115	CO	OHD	P4TWX	BRR	4.38	Unaffiliated Carrier 1	0.54	6.00	1,865
116	CO	OHD	P4TWX	BRR	4.38	Unaffiliated Carrier 6	0.63	6.00	937
117	CO	OHD	P4TWX	BRR	4.38	Unaffiliated Carrier 4	1.38	6.94	28
118	MN	OHD	P4TWX	BRR	6.00	Unaffiliated Carrier 3	0.96	5.70	533
119	MN	OHD	P4TWX	BRR	6.00	Unaffiliated Carrier 6	1.14	5.88	353
120	MN	OHD	P4TWX	BRR	6.00	Unaffiliated Carrier 2	1.26	5.64	203
121	MN	OHD	P4TWX	BRR	6.00	Unaffiliated Carrier 4	1.50	5.34	22
122	MN	OHD	P4TWX	BRR	6.00	Unaffiliated Carrier 1	1.62	5.28	794
123	MN	OHD	P4TWX	BRR	6.00	Unaffiliated Carrier 7	3.84	5.64	31
124	NE	OHD	P4TWX	BRR	5.22	Unaffiliated Carrier 7	0.24	5.76	16
125	NE	OHD	P4TWX	BRR	5.22	Unaffiliated Carrier 2	0.36	5.64	100
126	NE	OHD	P4TWX	BRR	5.22	Unaffiliated Carrier 1	0.42	6.00	347
127	NE	OHD	P4TWX	BRR	5.22	Unaffiliated Carrier 6	0.42	5.58	170
128	NE	OHD	P4TWX	BRR	5.22	Unaffiliated Carrier 3	0.48	6.00	323
129	NE	OHD	P4TWX	BRR	5.22	Unaffiliated Carrier 4	1.38	4.62	10
130	NM	OHD	P4TWX	BRR	2.2525	Unaffiliated Carrier 2	0.18	5.88	172
131	NM	OHD	P4TWX	BRR	2.2525	Unaffiliated Carrier 7	0.54	5.64	52
132	NM	OHD	P4TWX	BRR	2.2525	Unaffiliated Carrier 6	0.63	6.40	303
133	NM	OHD	P4TWX	BRR	2.2525	Unaffiliated Carrier 3	0.81	6.31	530
134	NM	OHD	P4TWX	BRR	2.2525	Unaffiliated Carrier 1	0.90	5.40	614
135	NE	OHD	P4TRX	BRR	2.4750	Unaffiliated Carrier 3	0.00	4.16	173
136	NE	OHD	P4TRX	BRR	2.4750	Unaffiliated Carrier 6	0.00	4.67	80
137	NE	OHD	P4TRX	BRR	2.4750	Unaffiliated Carrier 7	0.33	4.34	26
138	NE	OHD	P4TRX	BRR	2.4750	Unaffiliated Carrier 1	0.75	4.67	387
139	NE	OHD	P4TRX	BRR	2.4750	Unaffiliated Carrier 2	0.84	3.83	74

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
140	NE	OHD	P4TRX	BRR	2.4750	Unaffiliated Carrier 4	1.73	2.94	8
141	MN	XDH3X	MQ3	BRR	300.00	Unaffiliated Carrier 1	0.00	289.29	30
142	MN	XDH3X	MQ3	BRR	300.00	Unaffiliated Carrier 2	64.29	289.29	6
143	MN	XDH3X	MQ3	BRR	300.00	Unaffiliated Carrier 3	96.42	289.29	51
144	MN	XDH3X	MQ3	BRR	300.00	Unaffiliated Carrier 6	139.29	289.29	23
145	MN	XDH3X	MQ3	BRR	300.00	Unaffiliated Carrier 4	214.29	267.87	2
146	AZ	XDH3X	M6W3X	BRR	0.47	Unaffiliated Carrier 1	0.00	103.11	38
147	AZ	XDH3X	M6W3X	BRR	0.47	Unaffiliated Carrier 2	0.00	112.77	8
148	AZ	XDH3X	M6W3X	BRR	0.47	Unaffiliated Carrier 3	0.00	128.34	60
149	AZ	XDH3X	M6W3X	BRR	0.47	Unaffiliated Carrier 6	0.00	108.97	32
150	UT	XDH3X	M6W3X	BRR	0.21	Unaffiliated Carrier 1	0.00	0.00	6
151	UT	XDH3X	M6W3X	BRR	0.21	Unaffiliated Carrier 3	0.00	119.69	26
152	UT	XDH3X	M6W3X	BRR	0.21	Unaffiliated Carrier 6	0.00	84.71	14
153	UT	XDH3X	M6W3X	BRR	0.21	Unaffiliated Carrier 2	40.22	137.65	2
154	IA	XSDF5	FQ5SU	BRR	6.98	Unaffiliated Carrier 2	0.00	4.74	17
155	IA	XSDF5	FQ5SU	BRR	6.98	Unaffiliated Carrier 3	0.00	7.60	60
156	IA	XSDF5	FQ5SU	BRR	6.98	Unaffiliated Carrier 6	0.00	5.53	29
157	CO	XSDF5	FQ5OU	BRR	9.64	Unaffiliated Carrier 2	0.36	10.00	30
158	CO	XSDF5	FQ5OU	BRR	9.64	Unaffiliated Carrier 7	2.14	10.00	23
159	CO	XSDF5	FQ5OU	BRR	9.64	Unaffiliated Carrier 1	2.50	10.00	98
160	CO	XSDF5	FQ5OU	BRR	9.64	Unaffiliated Carrier 6	4.61	10.00	49
161	CO	XSDF5	FQ5OU	BRR	9.64	Unaffiliated Carrier 3	6.79	10.00	54
162	ID	XSDF5	FQ5OU	BRR	10.00	Unaffiliated Carrier 7	1.79	5.71	3
163	IA	OHD	FN71J	OBN	64.68	Unaffiliated Carrier 3	36.96	376.57	7
164	IA	OHD	FN71J	OBN	64.68	Unaffiliated Carrier 7	41.58	167.82	2
165	OR	OHD	FN71J	OBN	165.77	Unaffiliated Carrier 3	47.12	47.12	1
166	OR	OHD	FN71J	OBN	165.77	Unaffiliated Carrier 7	71.92	145.31	2
167	OR	OHD	FN71J	OBN	165.77	Unaffiliated Carrier 1	104.16	118.70	2
168	WA	OHD	FN71J	OBN	113.30	Unaffiliated Carrier 7	20.60	188.29	6
169	WA	OHD	FN71J	OBN	113.30	Unaffiliated Carrier 3	28.33	290.62	109
170	WA	OHD	FN71J	OBN	113.30	Unaffiliated Carrier 2	66.95	356.11	2
171	WA	OHD	FN71J	OBN	113.30	Unaffiliated Carrier 1	108.15	323.36	2

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers for Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
172	WA	OHD	FN71J	OBN	113.30	Unaffiliated Carrier 6	164.80	278.34	2
173	WA	XDH1X	FMCPX	ORR	(1.80)	Unaffiliated Carrier 7	(3.40)	2.80	2
174	WA	XDH1X	FMCPX	ORR	(1.80)	Unaffiliated Carrier 1	(2.40)	5.20	20
175	WA	XDH1X	FMCPX	ORR	(1.80)	Unaffiliated Carrier 3	1.80	1.80	2
176	WA	XDH1X	FMCPX	ORR	(1.80)	Unaffiliated Carrier 6	4.20	7.00	20
177	IA	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 1	0.00	289.29	100
178	IA	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 6	21.42	297.78	50
179	IA	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 2	75.00	289.29	26
180	IA	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 3	75.00	299.55	151
181	IA	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 4	171.42	289.29	19
182	NM	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 1	0.00	289.29	39
183	NM	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 6	21.42	289.29	22
184	NM	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 2	80.37	289.29	11
185	NM	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 3	85.71	289.29	47
186	NM	XDH3X	FMC3X	BRR	300.00	Unaffiliated Carrier 4	214.29	214.29	1
187	CO	XDH3X	FMC35	ORR	(5.14)	Unaffiliated Carrier 3	(51.42)	28.00	3
188	CO	XDH3X	FMC35	ORR	(5.14)	Unaffiliated Carrier 1	(4.57)	8.00	2
189	AZ	XDH1X	FLQ3X	BRR	143.75, (143.75)	Unaffiliated Carrier 1	57.50	135.00	6,991
190	AZ	XDH1X	FLQ3X	BRR	143.75, (143.75)	Unaffiliated Carrier 2	115.00	135.00	608
191	AZ	XDH1X	FLQ3X	BRR	143.75, (143.75)	Unaffiliated Carrier 4	115.00	135.00	68
192	AZ	XDH1X	FLQ3X	BRR	143.75, (143.75)	Unaffiliated Carrier 6	115.00	135.00	1,835
193	AZ	XDH1X	FLQ3X	BRR	143.75, (143.75)	Unaffiliated Carrier 3	132.25	155.25	905
194	AZ	XDH1X	FLQ3X	BRR	143.75, (143.75)	Unaffiliated Carrier 5	132.25	132.25	2
195	AZ	XDH1X	FLQ3X	BRR	143.75, (143.75)	Unaffiliated Carrier 7	132.25	155.25	10
196	AZ	XDH1X	FLQ3X	OBN	313.25, (313.25)	Unaffiliated Carrier 1	156.63	156.63	1
197	OR	XDH1X	FLQ3X	BRR	155.25	Unaffiliated Carrier 1	115.00	135.00	2,426
198	OR	XDH1X	FLQ3X	BRR	155.25	Unaffiliated Carrier 2	115.00	135.00	212
199	OR	XDH1X	FLQ3X	BRR	155.25	Unaffiliated Carrier 4	115.00	135.00	60
200	OR	XDH1X	FLQ3X	BRR	155.25	Unaffiliated Carrier 6	115.00	143.75	773
201	OR	XDH1X	FLQ3X	BRR	155.25	Unaffiliated Carrier 3	121.23	143.75	913
202	OR	XDH1X	FLQ3X	BRR	155.25	Unaffiliated Carrier 5	132.25	143.75	11
203	OR	XDH1X	FLQ3X	BRR	155.25	Unaffiliated Carrier 7	132.25	143.75	16

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
204	ID	XDH3X	FHTAX	BRR	1500.00	Unaffiliated Carrier 2	589.35	589.35	1
205	ID	XDH3X	FHTAX	BRR	1500.00	Unaffiliated Carrier 1	857.10	1446.45	9
206	AZ	XSDF5	FHLGX	ORR	0.00	Unaffiliated Carrier 2	(22.67)	32.00	4
207	AZ	XSDF5	FHLGX	ORR	0.00	Unaffiliated Carrier 6	28.00	28.00	1
208	UT	XSDF5	FHLGX	BRR	31.43	Unaffiliated Carrier 2	7.14	40.00	46
209	UT	XSDF5	FHLGX	BRR	31.43	Unaffiliated Carrier 7	17.14	40.00	8
210	UT	XSDF5	FHLGX	BRR	31.43	Unaffiliated Carrier 6	23.00	40.00	23
211	UT	XSDF5	FHLGX	BRR	31.43	Unaffiliated Carrier 3	40.00	40.00	2
212	ID	XSDF5	FHKGX	BRR	18.57	Unaffiliated Carrier 7	9.29	52.00	6
213	ID	XSDF5	FHKGX	BRR	18.57	Unaffiliated Carrier 3	55.00	55.00	1
214	OR	XSDF5	FHKGX	BRR	52.00	Unaffiliated Carrier 7	7.86	55.00	11
215	OR	XSDF5	FHKGX	BRR	52.00	Unaffiliated Carrier 2	22.29	55.00	16
216	OR	XSDF5	FHKGX	BRR	52.00	Unaffiliated Carrier 3	39.00	55.00	14
217	WA	XSDF5	FHKGX	BRR	(27.86)	Unaffiliated Carrier 2	0.00	55.00	33
218	WA	XSDF5	FHKGX	BRR	(27.86)	Unaffiliated Carrier 3	13.00	55.00	50
219	WA	XSDF5	FHKGX	BRR	(27.86)	Unaffiliated Carrier 7	15.71	55.00	16
220	WA	XSDF5	FHKGX	BRR	(27.86)	Unaffiliated Carrier 6	21.82	55.00	34
221	WA	XSDF5	FHKGX	BRR	(27.86)	Unaffiliated Carrier 1	24.14	52.00	4
222	CO	XSDF5	FHKBX	ORR	(3.21)	Unaffiliated Carrier 1	(26.80)	25.23	7
223	CO	XSDF5	FHKBX	ORR	(3.21)	Unaffiliated Carrier 3	(12.95)	11.66	2
224	CO	XSDF5	FHKBX	ORR	(3.21)	Unaffiliated Carrier 2	(2.86)	4.29	7
225	CO	XSDF5	FHKBX	BRR	1.79	Unaffiliated Carrier 1	0.00	36.30	58
226	CO	XSDF5	FHKBX	BRR	1.79	Unaffiliated Carrier 2	0.00	48.26	21
227	CO	XSDF5	FHKBX	BRR	1.79	Unaffiliated Carrier 3	0.00	15.20	33
228	CO	XSDF5	FHKBX	BRR	1.79	Unaffiliated Carrier 6	0.00	25.48	42
229	CO	XSDF5	FHKBX	BRR	1.79	Unaffiliated Carrier 7	0.00	42.78	18
230	OR	XSDF5	FHKBX	BRR	(3.77)	Unaffiliated Carrier 2	0.00	26.71	18
231	OR	XSDF5	FHKBX	BRR	(3.77)	Unaffiliated Carrier 3	0.00	11.63	16
232	OR	XSDF5	FHKBX	BRR	(3.77)	Unaffiliated Carrier 6	0.00	0.00	1
233	OR	XSDF5	FHKBX	BRR	(3.77)	Unaffiliated Carrier 7	0.00	46.20	14
234	WA	XDH3X	FE4CX	BRR	25.07	Unaffiliated Carrier 1	0.00	457.66	309
235	WA	XDH3X	FE4CX	BRR	25.07	Unaffiliated Carrier 2	0.00	663.88	93

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate						Billed to Unaffiliated Carriers			
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
236	WA	XDH3X	FE4CX	BRR	25.07	Unaffiliated Carrier 3	0.00	417.92	287
237	WA	XDH3X	FE4CX	BRR	25.07	Unaffiliated Carrier 4	0.00	478.22	8
238	WA	XDH3X	FE4CX	BRR	25.07	Unaffiliated Carrier 6	0.00	334.25	221
239	WA	XDH3X	FE4CX	BRR	25.07	Unaffiliated Carrier 7	0.00	147.07	7
240	AZ	OHD	F4KRX	BRR	4.67	Unaffiliated Carrier 6	0.13	4.58	262
241	AZ	OHD	F4KRX	BRR	4.67	Unaffiliated Carrier 7	0.13	4.58	194
242	AZ	OHD	F4KRX	BRR	4.67	Unaffiliated Carrier 1	0.20	4.53	750
243	AZ	OHD	F4KRX	BRR	4.67	Unaffiliated Carrier 2	0.20	4.53	278
244	AZ	OHD	F4KRX	BRR	4.67	Unaffiliated Carrier 3	0.33	4.44	466
245	AZ	OHD	F4KRX	BRR	4.67	Unaffiliated Carrier 4	0.59	4.25	68
246	CO	OHD	F4KRX	BRR	4.2496, 3.3625	Unaffiliated Carrier 3	0.07	4.62	624
247	CO	OHD	F4KRX	BRR	4.2496, 3.3625	Unaffiliated Carrier 6	0.07	4.62	209
248	CO	OHD	F4KRX	BRR	4.2496, 3.3625	Unaffiliated Carrier 1	0.20	4.53	702
249	CO	OHD	F4KRX	BRR	4.2496, 3.3625	Unaffiliated Carrier 2	0.20	4.53	368
250	CO	OHD	F4KRX	BRR	4.2496, 3.3625	Unaffiliated Carrier 7	0.20	4.53	131
251	CO	OHD	F4KRX	BRR	4.2496, 3.3625	Unaffiliated Carrier 4	2.37	4.67	48
252	IA	OHD	F4KRX	BRR	2.8954	Unaffiliated Carrier 7	0.12	4.58	88
253	IA	OHD	F4KRX	BRR	2.8954	Unaffiliated Carrier 2	0.30	4.44	258
254	IA	OHD	F4KRX	BRR	2.8954	Unaffiliated Carrier 3	0.47	4.30	298
255	IA	OHD	F4KRX	BRR	2.8954	Unaffiliated Carrier 6	0.59	4.20	116
256	IA	OHD	F4KRX	BRR	2.8954	Unaffiliated Carrier 1	1.01	3.88	406
257	IA	OHD	F4KRX	BRR	2.8954	Unaffiliated Carrier 4	1.82	3.61	58
258	MN	OHD	F4KRX	BRR	1.9612	Unaffiliated Carrier 4	1.49	4.67	48
259	MN	OHD	F4KRX	BRR	1.9612	Unaffiliated Carrier 3	2.15	4.67	313
260	MN	OHD	F4KRX	BRR	1.9612	Unaffiliated Carrier 1	2.52	4.67	309
261	MN	OHD	F4KRX	BRR	1.9612	Unaffiliated Carrier 2	3.64	4.67	207
262	MN	OHD	F4KRX	BRR	1.9612	Unaffiliated Carrier 6	4.11	4.67	103
263	MN	OHD	F4KRX	BRR	1.9612	Unaffiliated Carrier 7	4.30	4.67	51
264	NM	OHD	F4KRX	BRR	3.59	Unaffiliated Carrier 1	0.07	4.62	202
265	NM	OHD	F4KRX	BRR	3.59	Unaffiliated Carrier 2	0.07	4.62	96
266	NM	OHD	F4KRX	BRR	3.59	Unaffiliated Carrier 3	0.26	4.48	168
267	NM	OHD	F4KRX	BRR	3.59	Unaffiliated Carrier 7	0.40	4.39	70

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers for Exchange Access Service, December 2003, Billings Billed to Section 272 Affiliate

Time	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
268	NM	OHD	F4KRX	BRR	3.59	Unaffiliated Carrier 6	0.46	4.34	80
269	NM	OHD	F4KRX	BRR	3.59	Unaffiliated Carrier 4	2.48	3.10	18
270	UT	OHD	F4KRX	BRR	3.1754	Unaffiliated Carrier 2	0.06	4.62	166
271	UT	OHD	F4KRX	BRR	3.1754	Unaffiliated Carrier 3	0.25	4.48	306
272	UT	OHD	F4KRX	BRR	3.1754	Unaffiliated Carrier 6	0.25	4.48	108
273	UT	OHD	F4KRX	BRR	3.1754	Unaffiliated Carrier 7	0.32	4.44	68
274	UT	OHD	F4KRX	BRR	3.1754	Unaffiliated Carrier 1	0.44	4.34	280
275	UT	OHD	F4KRX	BRR	3.1754	Unaffiliated Carrier 4	1.46	3.60	44
276	WA	OHD	F4KRX	BRR	1.6479, 3.1288	Unaffiliated Carrier 7	0.25	4.39	140
277	WA	OHD	F4KRX	BRR	1.6479, 3.1288	Unaffiliated Carrier 6	0.29	4.67	227
278	WA	OHD	F4KRX	BRR	1.6479, 3.1288	Unaffiliated Carrier 2	0.33	4.67	360
279	WA	OHD	F4KRX	BRR	1.6479, 3.1288	Unaffiliated Carrier 1	0.37	4.25	644
280	WA	OHD	F4KRX	BRR	1.6479, 3.1288	Unaffiliated Carrier 3	0.45	4.16	562
281	WA	OHD	F4KRX	BRR	1.6479, 3.1288	Unaffiliated Carrier 4	1.73	2.71	68
282	WA	XSWPX	F4C	ORR	0.00	Unaffiliated Carrier 2	(6.12)	46.51	4
283	NM	XDH3X	1YTXE	ORR	0.7567	Unaffiliated Carrier 3	(0.20)	4.82	28
284	ID	XTHIX	1YTXE	BRR	0.0250	Unaffiliated Carrier 2	0.00	7.56	92
285	ID	XTHIX	1YTXE	BRR	0.0250	Unaffiliated Carrier 7	0.01	7.88	4
286	ID	XTHIX	1YTXE	BRR	0.0250	Unaffiliated Carrier 1	0.02	7.53	236
287	ID	XTHIX	1YTXE	BRR	0.0250	Unaffiliated Carrier 6	0.03	7.56	52
288	ID	XTHIX	1YTXE	BRR	0.0250	Unaffiliated Carrier 3	0.03	6.93	52
289	ID	XTHIX	1YTXE	BRR	0.0250	Unaffiliated Carrier 4	0.21	5.33	4
290	NE	XTHIX	1YTXE	BRR	6.4817	Unaffiliated Carrier 7	0.01	7.84	20
291	NE	XTHIX	1YTXE	BRR	6.4817	Unaffiliated Carrier 2	0.03	6.73	80
292	NE	XTHIX	1YTXE	BRR	6.4817	Unaffiliated Carrier 3	0.06	6.42	144
293	NE	XTHIX	1YTXE	BRR	6.4817	Unaffiliated Carrier 1	0.07	6.34	32
294	NE	XTHIX	1YTXE	BRR	6.4817	Unaffiliated Carrier 6	0.08	6.97	28
295	NE	XTHIX	1YTXE	BRR	6.4817	Unaffiliated Carrier 4	0.23	5.46	8
296	WA	XTHIX	1YTXE	BRR	0.0653, (0.7727)	Unaffiliated Carrier 6	0.00	6.57	142
297	WA	XTHIX	1YTXE	BRR	0.0653, (0.7727)	Unaffiliated Carrier 2	0.00	6.42	296
298	WA	XTHIX	1YTXE	BRR	0.0653, (0.7727)	Unaffiliated Carrier 7	0.00	7.52	16
299	WA	XTHIX	1YTXE	BRR	0.0653, (0.7727)	Unaffiliated Carrier 3	0.01	6.34	72

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers for Exchange Access Service, December 2003 Billings Billed to Section 272 Affiliate

Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
300	WA	XTHIX	1YTXE	BRR	0.0653, (0.7727)	Unaffiliated Carrier 1	0.01	5.78	142
301	WA	XTHIX	1YTXE	BRR	0.0653, (0.7727)	Unaffiliated Carrier 4	0.11	5.15	48
302	WA	XTHIX	1YTXC	BRR	0.0944	Unaffiliated Carrier 3	0.00	5.86	388
303	WA	XTHIX	1YTXC	BRR	0.0944	Unaffiliated Carrier 7	0.01	7.16	84
304	WA	XTHIX	1YTXC	BRR	0.0944	Unaffiliated Carrier 1	0.19	5.86	684
305	WA	XTHIX	1YTXC	BRR	0.0944	Unaffiliated Carrier 6	0.26	6.00	196
306	WA	XTHIX	1YTXC	BRR	0.0944	Unaffiliated Carrier 2	0.27	5.86	146
307	WA	XTHIX	1YTXC	BRR	0.0944	Unaffiliated Carrier 4	0.46	3.90	36
308	MT	XTHIX	1YTXB	BRR	6.7820	Unaffiliated Carrier 2	0.00	3.95	100
309	MT	XTHIX	1YTXB	BRR	6.7820	Unaffiliated Carrier 3	0.00	8.65	80
310	MT	XTHIX	1YTXB	BRR	6.7820	Unaffiliated Carrier 6	0.00	7.24	64
311	MT	XTHIX	1YTXB	BRR	6.7820	Unaffiliated Carrier 7	0.00	0.00	4
312	MT	XTHIX	1YTXB	BRR	6.7820	Unaffiliated Carrier 1	2.30	7.51	204
313	MT	XTHIX	1YTXB	BRR	6.7820	Unaffiliated Carrier 4	3.22	9.17	12
314	WA	XZDHX	1YFQ3	BRR	1.20	Unaffiliated Carrier 3	0.71	3.00	32
315	WA	XZDHX	1YFQ3	BRR	1.20	Unaffiliated Carrier 6	1.08	3.00	7
316	WA	XZDHX	1YFQ3	BRR	1.20	Unaffiliated Carrier 1	1.18	3.00	9
317	IA	XZDHX	1YFQ2	BRR	3.8571	Unaffiliated Carrier 1	1.00	6.75	6
318	IA	XZDHX	1YFQ2	BRR	3.8571	Unaffiliated Carrier 3	1.00	9.00	38
319	IA	XZDHX	1YFQ2	BRR	3.8571	Unaffiliated Carrier 4	1.00	9.00	6
320	IA	XZDHX	1YFQ2	BRR	3.8571	Unaffiliated Carrier 6	1.00	9.00	14
321	ID	XZDHX	1YFQ2	BRR	4.50	Unaffiliated Carrier 3	1.00	1.00	2
322	ID	XZDHX	1YFQ2	BRR	4.50	Unaffiliated Carrier 6	1.00	1.00	1
323	AZ	XDH3X	1YFG3	BRR	0.47	Unaffiliated Carrier 3	0.00	39.00	400
324	AZ	XDH3X	1YFG3	BRR	(39.00)	Unaffiliated Carrier 1	7.43	39.00	236
325	AZ	XDH3X	1YFG3	BRR	0.47	Unaffiliated Carrier 6	8.71	39.00	112
326	AZ	XDH3X	1YFG3	BRR	0.47	Unaffiliated Carrier 2	13.45	39.00	38
327	AZ	XDH3X	1YFG3	BRR	0.47	Unaffiliated Carrier 4	20.00	39.00	18
328	CO	XDHIX	1YFC4	BRR	14.95	Unaffiliated Carrier 4	2.17	13.00	6
329	CO	XDHIX	1YFC4	BRR	14.95	Unaffiliated Carrier 6	2.22	13.00	12
330	CO	XDHIX	1YFC4	BRR	14.95	Unaffiliated Carrier 1	2.27	13.00	74
331	CO	XDHIX	1YFC4	BRR	14.95	Unaffiliated Carrier 2	2.44	13.00	28

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
332	CO	XDH1X	1YFC4	BRR	14.95	Unaffiliated Carrier 3	2.50	4.26	32
333	CO	XDH1X	1YFC4	BRR	14.95	Unaffiliated Carrier 7	2.80	3.83	3
334	AZ	XDH1X	1YFC3	ORR	5.8650	Unaffiliated Carrier 7	(68.54)	-1.15	4
335	AZ	XDH1X	1YFC3	ORR	5.8650	Unaffiliated Carrier 3	(21.62)	18.40	180
336	AZ	XDH1X	1YFC3	ORR	5.8650	Unaffiliated Carrier 1	(11.60)	19.20	102
337	AZ	XDH1X	1YFC3	ORR	5.8650	Unaffiliated Carrier 6	(11.60)	12.00	36
338	AZ	XDH1X	1YFC3	ORR	5.8650	Unaffiliated Carrier 2	(10.80)	9.60	20
339	AZ	XDH1X	1YFC3	ORR	5.8650	Unaffiliated Carrier 4	(5.20)	-4.33	2
340	AZ	XDH1X	1YFC3	BRR	4.9286, 6.90, 13.80	Unaffiliated Carrier 1	3.60	12.00	1,522
341	AZ	XDH1X	1YFC3	BRR	4.9286, 6.90, 13.80	Unaffiliated Carrier 2	3.75	12.00	372
342	AZ	XDH1X	1YFC3	BRR	4.9286, 6.90, 13.80	Unaffiliated Carrier 6	3.75	12.00	920
343	AZ	XDH1X	1YFC3	BRR	4.9286, 6.90, 13.80	Unaffiliated Carrier 3	4.14	11.50	459
344	AZ	XDH1X	1YFC3	BRR	4.9286, 6.90, 13.80	Unaffiliated Carrier 4	4.50	12.00	74
345	AZ	XDH1X	1YFC3	BRR	4.9286, 6.90, 13.80	Unaffiliated Carrier 7	4.70	10.35	12
346	CO	XDH1X	1YFC3	BRR	8.6250	Unaffiliated Carrier 1	0.00	12.00	1,148
347	CO	XDH1X	1YFC3	BRR	8.6250	Unaffiliated Carrier 2	3.60	12.00	198
348	CO	XDH1X	1YFC3	BRR	8.6250	Unaffiliated Carrier 4	3.75	12.00	36
349	CO	XDH1X	1YFC3	BRR	8.6250	Unaffiliated Carrier 6	3.75	12.00	394
350	CO	XDH1X	1YFC3	BRR	8.6250	Unaffiliated Carrier 3	4.14	13.80	641
351	CO	XDH1X	1YFC3	BRR	8.6250	Unaffiliated Carrier 7	4.31	13.80	28
352	CO	XDH1X	1YFC3	BRR	8.6250	Unaffiliated Carrier 5	7.96	13.80	2
353	MN	XDH1X	1YFC3	BRR	13.80	Unaffiliated Carrier 1	0.00	12.00	1,764
354	MN	XDH1X	1YFC3	BRR	13.80	Unaffiliated Carrier 6	0.00	12.00	356
355	MN	XDH1X	1YFC3	BRR	13.80	Unaffiliated Carrier 2	3.75	12.00	556
356	MN	XDH1X	1YFC3	BRR	13.80	Unaffiliated Carrier 4	3.75	12.00	72
357	MN	XDH1X	1YFC3	BRR	13.80	Unaffiliated Carrier 3	4.14	11.50	351
358	MN	XDH1X	1YFC3	BRR	13.80	Unaffiliated Carrier 5	5.75	5.75	1
359	MN	XDH1X	1YFC3	BRR	13.80	Unaffiliated Carrier 7	7.39	11.50	10
360	AZ	XDH1X	1YFC2	ORR	0.00, (11.8067)	Unaffiliated Carrier 3	(36.03)	48.04	213

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
361	AZ	XDH1X	1YFC2	ORR	0.00, (11.8067)	Unaffiliated Carrier 4	(20.00)	11.20	18
362	AZ	XDH1X	1YFC2	ORR	0.00, (11.8067)	Unaffiliated Carrier 6	(19.56)	25.78	164
363	AZ	XDH1X	1YFC2	ORR	0.00, (11.8067)	Unaffiliated Carrier 1	(18.67)	15.47	134
364	AZ	XDH1X	1YFC2	ORR	0.00, (11.8067)	Unaffiliated Carrier 2	(12.00)	9.90	38
365	AZ	XDH1X	1YFC2	ORR	0.00, (11.8067)	Unaffiliated Carrier 7	8.43	10.22	2
366	AZ	XDH1X	1YFC2	BRR	12.65, (23.00)	Unaffiliated Carrier 1	10.00	26.67	3,172
367	AZ	XDH1X	1YFC2	BRR	12.65, (23.00)	Unaffiliated Carrier 2	10.00	26.67	732
368	AZ	XDH1X	1YFC2	BRR	12.65, (23.00)	Unaffiliated Carrier 4	10.00	20.00	60
369	AZ	XDH1X	1YFC2	BRR	12.65, (23.00)	Unaffiliated Carrier 6	10.00	26.67	1,604
370	AZ	XDH1X	1YFC2	BRR	12.65, (23.00)	Unaffiliated Carrier 3	11.50	30.67	726
371	AZ	XDH1X	1YFC2	BRR	12.65, (23.00)	Unaffiliated Carrier 7	13.14	23.00	7
372	AZ	XDH1X	1YFC2	BRR	12.65, (23.00)	Unaffiliated Carrier 5	23.00	23.00	1
373	IA	XDH1X	1YFC2	ORR	(13.80)	Unaffiliated Carrier 4	(83.56)	65.78	70
374	IA	XDH1X	1YFC2	ORR	(13.80)	Unaffiliated Carrier 6	(24.00)	32.89	24
375	IA	XDH1X	1YFC2	ORR	(13.80)	Unaffiliated Carrier 2	(17.78)	12.67	6
376	IA	XDH1X	1YFC2	ORR	(13.80)	Unaffiliated Carrier 1	(10.00)	17.33	24
377	IA	XDH1X	1YFC2	ORR	(13.80)	Unaffiliated Carrier 3	(3.94)	30.67	30
378	IA	XDH1X	1YFC2	ORR	(13.80)	Unaffiliated Carrier 7	9.28	16.87	2
379	MN	XDH1X	1YFC2	BRR	13.1429	Unaffiliated Carrier 1	10.00	40.00	3,508
380	MN	XDH1X	1YFC2	BRR	13.1429	Unaffiliated Carrier 2	10.00	40.00	290
381	MN	XDH1X	1YFC2	BRR	13.1429	Unaffiliated Carrier 4	10.00	40.00	362
382	MN	XDH1X	1YFC2	BRR	13.1429	Unaffiliated Carrier 6	10.00	40.00	634
383	MN	XDH1X	1YFC2	BRR	13.1429	Unaffiliated Carrier 3	11.50	46.00	1,108
384	MN	XDH1X	1YFC2	BRR	13.1429	Unaffiliated Carrier 7	12.65	46.00	30
385	NE	XDH1X	1YFC2	ORR	7.59	Unaffiliated Carrier 1	(20.44)	21.33	124
386	NE	XDH1X	1YFC2	ORR	7.59	Unaffiliated Carrier 6	(16.00)	37.33	14
387	NE	XDH1X	1YFC2	ORR	7.59	Unaffiliated Carrier 3	(11.76)	25.56	37
388	NE	XDH1X	1YFC2	ORR	7.59	Unaffiliated Carrier 2	(11.11)	-8.33	14
389	NE	XDH1X	1YFC2	ORR	7.59	Unaffiliated Carrier 7	(5.48)	-4.98	2
390	UT	XDH1X	1YFC2	BRR	13.1419	Unaffiliated Carrier 1	10.00	26.67	1,326
391	UT	XDH1X	1YFC2	BRR	13.1419	Unaffiliated Carrier 4	10.00	26.67	18
392	UT	XDH1X	1YFC2	BRR	13.1419	Unaffiliated Carrier 6	10.00	26.67	578

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings

Billed to Section 272 Affiliate

Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
393	UT	XDHIX	1YFC2	BRR	13.1419	Unaffiliated Carrier 2	11.00	26.67	108
394	UT	XDHIX	1YFC2	BRR	13.1419	Unaffiliated Carrier 3	11.50	30.67	344
395	UT	XDHIX	1YFC2	BRR	13.1419	Unaffiliated Carrier 5	12.65	18.40	3
396	UT	XDHIX	1YFC2	BRR	13.1419	Unaffiliated Carrier 7	12.65	30.67	4
397	WA	XDHIX	1YFC2	BRR	(46.00)	Unaffiliated Carrier 2	0.00	80.00	336
398	WA	XDHIX	1YFC2	BRR	(46.00)	Unaffiliated Carrier 1	10.00	80.00	2,538
399	WA	XDHIX	1YFC2	BRR	(46.00)	Unaffiliated Carrier 6	10.00	80.00	586
400	WA	XDHIX	1YFC2	BRR	(46.00)	Unaffiliated Carrier 4	11.00	80.00	74
401	WA	XDHIX	1YFC2	BRR	(46.00)	Unaffiliated Carrier 3	11.50	92.00	1,018
402	WA	XDHIX	1YFC2	BRR	(46.00)	Unaffiliated Carrier 5	12.65	92.00	16
403	WA	XDHIX	1YFC2	BRR	(46.00)	Unaffiliated Carrier 7	12.65	92.00	16
404	UT	XTHIX	1UFX4	BRR	0.0303	Unaffiliated Carrier 6	0.25	7.10	8
405	UT	XTHIX	1UFX4	BRR	0.0303	Unaffiliated Carrier 2	0.43	6.27	60
406	UT	XTHIX	1UFX4	BRR	0.0303	Unaffiliated Carrier 1	0.47	6.34	4
407	UT	XTHIX	1UFX4	BRR	0.0303	Unaffiliated Carrier 3	0.68	6.27	4
408	UT	XTHIX	1UFX4	BRR	0.0303	Unaffiliated Carrier 7	1.96	7.55	2
409	AZ	XTHIX	1UFX3	BRR	(0.4208)	Unaffiliated Carrier 7	0.05	7.16	120
410	AZ	XTHIX	1UFX3	BRR	(0.4208)	Unaffiliated Carrier 6	0.33	6.72	268
411	AZ	XTHIX	1UFX3	BRR	(0.4208)	Unaffiliated Carrier 2	0.38	6.65	264
412	AZ	XTHIX	1UFX3	BRR	(0.4208)	Unaffiliated Carrier 1	0.66	7.23	402
413	AZ	XTHIX	1UFX3	BRR	(0.4208)	Unaffiliated Carrier 3	0.71	6.44	56
414	AZ	XTHIX	1UFX2	BRR	6.1443	Unaffiliated Carrier 7	0.11	7.16	64
415	AZ	XTHIX	1UFX2	BRR	6.1443	Unaffiliated Carrier 6	0.74	12.83	560
416	AZ	XTHIX	1UFX2	BRR	6.1443	Unaffiliated Carrier 2	0.85	13.58	276
417	AZ	XTHIX	1UFX2	BRR	6.1443	Unaffiliated Carrier 3	1.17	12.52	328
418	AZ	XTHIX	1UFX2	BRR	6.1443	Unaffiliated Carrier 1	1.28	9.96	208
419	CO	XTHIX	1UFX2	BRR	6.23	Unaffiliated Carrier 7	0.11	44.82	88
420	CO	XTHIX	1UFX2	BRR	6.23	Unaffiliated Carrier 6	0.87	41.65	560
421	CO	XTHIX	1UFX2	BRR	6.23	Unaffiliated Carrier 2	0.97	39.25	432
422	CO	XTHIX	1UFX2	BRR	6.23	Unaffiliated Carrier 1	1.48	19.92	440
423	CO	XTHIX	1UFX2	BRR	6.23	Unaffiliated Carrier 3	1.51	19.47	328
424	OR	XTHIX	1UFX2	BRR	0.40, 6.51	Unaffiliated Carrier 7	0.16	22.18	72

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
425	OR	XTH1X	1UFX2	BRR	0.40, 6.51	Unaffiliated Carrier 2	1.20	19.24	440
426	OR	XTH1X	1UFX2	BRR	0.40, 6.51	Unaffiliated Carrier 6	1.36	18.79	272
427	OR	XTH1X	1UFX2	BRR	0.40, 6.51	Unaffiliated Carrier 1	1.52	22.64	212
428	OR	XTH1X	1UFX2	BRR	0.40, 6.51	Unaffiliated Carrier 3	1.52	18.34	484
429	OR	XTH1X	1UFX2	BRR	0.40, 6.51	Unaffiliated Carrier 4	3.04	14.04	48
430	UT	XTH1X	1UFX2	BRR	11.2050	Unaffiliated Carrier 6	0.62	14.18	204
431	UT	XTH1X	1UFX2	BRR	11.2050	Unaffiliated Carrier 1	1.66	12.68	228
432	UT	XTH1X	1UFX2	BRR	11.2050	Unaffiliated Carrier 2	1.77	10.02	92
433	UT	XTH1X	1UFX2	BRR	11.2050	Unaffiliated Carrier 3	1.80	12.52	96
434	UT	XTH1X	1UFX2	BRR	11.2050	Unaffiliated Carrier 7	5.48	15.09	16
435	WA	XTH1X	1UFX2	BRR	6.4400, 2.2150, 0.8860, 0.1200, (8.5100)	Unaffiliated Carrier 7	0.02	22.41	76
436	WA	XTH1X	1UFX2	BRR	6.4400, 2.2150, 0.8860, 0.1200, (8.5100)	Unaffiliated Carrier 6	0.35	17.66	364
437	WA	XTH1X	1UFX2	BRR	6.4400, 2.2150, 0.8860, 0.1200, (8.5100)	Unaffiliated Carrier 2	0.39	34.41	620
438	WA	XTH1X	1UFX2	BRR	6.4400, 2.2150, 0.8860, 0.1200, (8.5100)	Unaffiliated Carrier 3	0.39	36.22	552
439	WA	XTH1X	1UFX2	BRR	6.4400, 2.2150, 0.8860, 0.1200, (8.5100)	Unaffiliated Carrier 1	0.55	22.64	642
440	WA	XTH1X	1UFX2	BRR	6.4400, 2.2150, 0.8860, 0.1200, (8.5100)	Unaffiliated Carrier 4	0.71	21.42	56
441	AZ	XZDHX	1U5Q5	BRR	(0.46)	Unaffiliated Carrier 2	0.00	0.00	4
442	AZ	XZDHX	1U5Q5	BRR	(0.46)	Unaffiliated Carrier 3	0.14	0.46	20
443	AZ	XZDHX	1U5Q5	BRR	(0.46)	Unaffiliated Carrier 6	0.14	0.46	30
444	AZ	XZDHX	1U5Q5	BRR	(0.46)	Unaffiliated Carrier 1	0.39	0.46	2
445	AZ	XDH1X	1U5C5	BRR	12.00	Unaffiliated Carrier 1	0.00	11.76	560
446	AZ	XDH1X	1U5C5	BRR	12.00	Unaffiliated Carrier 3	0.00	11.76	253
447	AZ	XDH1X	1U5C5	BRR	12.00	Unaffiliated Carrier 6	0.00	11.64	58
448	AZ	XDH1X	1U5C5	BRR	12.00	Unaffiliated Carrier 2	0.89	1.15	9
449	CO	XDH1X	1U5C5	BRR	0.6364	Unaffiliated Carrier 3	0.09	12.00	285

Differences Noted in Rates Billed Section 272 Affiliates Compared to Rates Billed to Seven Sampled Unaffiliated Carriers For Exchange Access Service, December 2003 Billings									
Billed to Section 272 Affiliate					Billed to Unaffiliated Carriers				
Line	State	Class of Service	USOC	Revenue Type	Billed Rate	Carrier	Lowest Rate	Highest Rate	Number of Times Billed
450	CO	XDH1X	1U5C5	BRR	0.6364	Unaffiliated Carrier 1	0.14	12.00	728
451	CO	XDH1X	1U5C5	BRR	0.6364	Unaffiliated Carrier 6	0.14	12.00	56
452	CO	XDH1X	1U5C5	BRR	0.6364	Unaffiliated Carrier 4	0.16	2.88	2
453	CO	XDH1X	1U5C5	BRR	0.6364	Unaffiliated Carrier 2	0.36	12.00	26
454	CO	XDH1X	1U5C5	BRR	0.6364	Unaffiliated Carrier 5	0.54	12.00	4
455	CO	XDH1X	1U5C5	BRR	0.6364	Unaffiliated Carrier 7	1.30	12.00	2
456	WA	XDH1X	1U5C4	BRR	11.00	Unaffiliated Carrier 1	0.18	10.89	301
457	WA	XDH1X	1U5C4	BRR	11.00	Unaffiliated Carrier 2	0.18	10.34	43
458	WA	XDH1X	1U5C4	BRR	11.00	Unaffiliated Carrier 3	0.18	10.67	189
459	WA	XDH1X	1U5C4	BRR	11.00	Unaffiliated Carrier 6	0.39	10.34	74
460	WA	XDH1X	1U5C4	BRR	11.00	Unaffiliated Carrier 7	0.48	3.19	2
461	UT	XDH1X	1U5C3	BRR	10.00	Unaffiliated Carrier 6	2.22	5.40	3
462	UT	XDH1X	1U5C3	BRR	10.00	Unaffiliated Carrier 3	2.61	9.00	26
463	UT	XDH1X	1U5C3	BRR	10.00	Unaffiliated Carrier 1	2.92	6.36	102
464	UT	XDH1X	1U5C3	BRR	10.00	Unaffiliated Carrier 2	2.92	4.38	7
465	UT	XDH1X	1U5C3	BRR	10.00	Unaffiliated Carrier 7	3.04	5.83	11

Differences Noted in Rates by USOCs Used by the Qwest BOC in the OCS Study Used to Impute Access for E911 and Current Tariff Rates						
Line	Qwest BOC Account	USOC	Class of Service	Rate Used in OCS Study	Rate Per Current Tariffs	Difference - Rate Used in OCS Study Less Largest Current Tariff Rate
1	5084.313	3LBXB	HS1MN	\$1.10	\$1.35, \$2.40	\$(1.30)
2	5001.11	TBX	9BE	3.81	1.95, 3.05, 7.49	(3.68)
3	5084.313	JZ3PB	HS1MN	285.00	10.58, 10.93, 13.40, 15.00	270.00
4	5084.312	1U5J4	PYC6N	81.95	1.62, 13.91	68.04
5	5084.312	PCWKX	CT2	17.00	18.00	(1.00)
6	5082.19	1U5J3	PS53X	28.17	1.44, 18.39	9.78
7	5084.312	FQYX4	PYC2N	49.00	22.00	27.00
8	5084.312	FQYX3	FXKTS	13.06	22.50, 44.00	(30.94)
9	5084.312	1DC2X	PYC2N	14.05	22.50	(8.45)
10	5084.312	FQYX4	XAVXT	-	23.50	(23.50)
11	5084.312	FQYX3	C5B2X	23.60	25.50	(1.90)
12	5084.313	FQYX1	DPNNN	35.00	28.00	7.00
13	5001.11	TCK	XFBXX	29.11	29.40, 32.15, 34.93	(5.82)
14	5084.312	XSSLR	XAVLK	3.68	3.20	0.48
15	5001.11	EQB	EZBUM	49.67	40.37, 49.20	0.47
16	5084.312	1DC4X	XNDXN	49.00	45.25	3.75
17	5001.11	XUWP1	HCZBN	-	73.86	(73.86)
18	5084.312	PCWCX	PYC2N	8.52	8.75	(0.23)
19	5084.312	FQTX2	1DQ	11.33	8.86	2.47
20	5084.312	FQTX2	RCFVF	11.33	8.86	2.47

APPENDIX B

General Standards Procedures, Final Procedures

**JOINT FEDERAL/STATE OVERSIGHT TEAM
FOR
QWEST COMMUNICATIONS INTERNATIONAL, INC.**

**GENERAL STANDARD PROCEDURES
FOR
BIENNIAL AUDITS
REQUIRED UNDER SECTION 272
OF THE
COMMUNICATIONS ACT OF 1934, AS AMENDED**

**FINAL PROCEDURES
June 8, 2004**

**JOINT FEDERAL/STATE OVERSIGHT TEAM
FOR
QWEST COMMUNICATIONS INTERNATIONAL, INC.

GENERAL STANDARD PROCEDURES
FOR
BIENNIAL AUDITS
REQUIRED UNDER SECTION 272
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QWEST COMMUNICATIONS INTERNATIONAL, INC. BIENNIAL ENGAGEMENT PROCESS

INTRODUCTION

Background

1. Section 272(a) of the Communications Act of 1934, as amended (the Act), requires that a Bell Operating Company (BOC) set up one or more separate affiliates before engaging in manufacturing activities, in-region interLATA services, and interLATA information services. For interLATA information services, this requirement expired on February 8, 2000 in accordance with the Act. Before engaging in the provision of in-region interLATA services, a BOC or an affiliate of the BOC must meet the requirements of Section 271 of the Act and must receive approval by the Federal Communications Commission (FCC). A BOC that is required to operate a separate affiliate under Section 272 must obtain and pay for a joint Federal/State audit every two years.¹

2. The Commission adopted rules to implement the section 272(d) biennial audit requirement. *See Accounting Safeguards Order* at paras. 197-205; *see also* 47 C.F.R. § 53.209-.213. The Commission's Part 53 rules and accompanying orders govern the conduct of the section 272(d) biennial audit. As stated in the Commission's Part 53 rules, the purpose of the section 272(d) biennial audit is to determine whether the BOC and its section 272 affiliates have operated in accordance with the accounting and non-accounting safeguards required by section 272 of the Act and the Commission's rules. 47 C.F.R. § 53.209(b) (listing the specified compliance requirements of the section 272(d) biennial audit). In addition to specifying the audit requirements, the Commission's rules provide for the establishment of a Federal/State joint audit team that is authorized to oversee the conduct of the audit from the planning stage to its completion and to "direct the independent auditor to take any actions necessary to ensure compliance with the audit requirements [in 47 C.F.R. § 53.209(b)]." 47 C.F.R. § 53.209(d). Although the section 272(d) biennial audit is to be conducted by an independent auditor, the Federal/State joint audit team is also responsible for ensuring that the audit meets the objectives stated in the Commission's rules and orders. 47 C.F.R. §§ 53.209(d) (stating that the Federal/State joint audit team is responsible for "overseeing the planning of the audit"); .211(b) (requiring the Federal/State joint audit team to review the audit requirements and authorizing the Federal/State joint audit team to modify the audit program); .211(c) (authorizing the Federal/State joint audit team to approve the audit requirements and program); .211(d). In accordance with Statements on Standards For Attestation Engagements, 10, Paragraph 1.03: "When a practitioner undertakes an attest engagement for the benefit of a government body or agency and agrees to follow specified government standards, guides, procedures, statutes, rules

¹ 47 U.S.C. § 272(d)

and regulations, the practitioner is obliged to follow those governmental requirements as well as the applicable attestation standards.”

3. Working pursuant to delegated authority, the Federal/State joint audit team elected to use the Agreed-Upon Procedures (AUP) form of attestation engagement to meet the objectives specified in the Commission’s rules, *i.e.*, to determine whether the BOC and its section 272 affiliates complied with the relevant accounting and non-accounting safeguards. The American Institute of Certified Public Accountants (AICPA) defines an AUP engagement as “one in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on subject matter.”² For the purposes of planning this AUP engagement and developing the appropriate audit procedures, the “specified parties” consist of the Federal/State joint audit team (“Oversight Team” or “Joint Oversight Team”) and the company responsible for obtaining and paying for the section 272(d) biennial audits (*i.e.*, Qwest Communications International, Inc. (“QCII”). The Oversight Team will be comprised of members from the FCC and members of the state commissions who have jurisdiction over QCII in their respective states³ and who have chosen to participate in the Biennial Audit and have either signed a Protective Agreement or the State commission has promulgated a Protective Order.

The Oversight Team is responsible for reviewing the conduct of the engagement and, after consultation with QCII, for directing the practitioner to take such action as the team finds necessary to achieve each audit objective. Consistent with section 53.209(d) of the Commission’s rules, the Oversight Team may direct the independent auditor to take any actions necessary to ensure compliance with the audit requirements of sections 53.209(b) as reflected in the engagement letter issued by Bureau staff and served on QCII. If QCII disagrees with the Oversight Team’s directions, the Oversight Team will issue a written decision describing the directions. QCII may, pursuant to section 1.106 or 1.115 of the Commission’s rules, file a petition for reconsideration or application for review of any such direction. The specified parties agree that the independent auditor shall implement the directions of the Oversight Team 10 business days after such direction if QCII has not filed an Emergency Petition for Reconsideration by that time. The specified parties agree that once the Chief of the Enforcement Bureau acts on any QCII Emergency Petition for Reconsideration, the independent auditor shall immediately implement the directions of the Chief of the Enforcement Bureau. QCII may, pursuant to section 1.115 of the Commission’s rules, file an Application for Review of the Chief of the Enforcement Bureau’s decision. The independent auditor shall implement the Chief of the Enforcement Bureau’s directions even if QCII files an Application for Review of the Chief of the Enforcement Bureau’s decision. Should the Bureau or Commission change such direction on reconsideration or review, the independent auditor shall follow the changed

² Statement on Standards for Attestation Engagements (SSAE) 10, paragraph 2.03, published by the American Institute of Certified Public Accountants.

³ Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

direction. In the event that QCII's request for reconsideration or review of the Chief of the Enforcement Bureau's ruling has not been acted on by the Commission by the date of the filing of the final biennial audit report, the results of any such affected procedures shall be omitted from the final biennial audit report until such time as the Commission issues a final decision; however, the issues under review shall be disclosed in the final biennial audit report as scope limitations. The text below provides the requirements for the engagement as listed in Section 53.209(b) of the FCC rules and indicates the nature, timing, and extent of the AUP for each requirement. It should be noted that AUP engagements are not based on the concept of materiality, therefore, the practitioner must report all results in the form of findings from application of the agreed upon procedures.

COMPLIANCE REQUIREMENTS

4. The requirements that will be covered in the Biennial Audit are contained in 47 U.S.C. Section 272(b), (c), and (e) of the Communications Act of 1934, as amended, and in 47 C.F.R. Section 53.209(b) of the FCC rules and regulations. Below is a listing of those requirements:

Structural Requirements

The separate affiliate required under Section 272 of the Act:

- I. Shall operate independently from the Bell operating company;
- II. Shall maintain books, records, and accounts in the manner prescribed by the Commission that are separate from the books, records, and accounts maintained by the Bell operating company;
- III. Shall have officers, directors, and employees that are separate from those of the Bell operating company;
- IV. May not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the Bell operating company;

Accounting Requirements

The separate affiliate required under Section 272 of the Act:

- V. Shall conduct all transactions with the Bell operating company on an arm's length basis with the transactions reduced to writing and available for public inspection.

The Bell operating company:

- VI. Shall account for all transactions with the separate affiliate in accordance with the accounting principles and rules approved by the Commission.

Nondiscrimination Requirements

The Bell operating company:

- VII. May not discriminate between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards;
- VIII. Shall fulfill any requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or its affiliates;
- IX. Shall not provide any facilities, services, or information concerning its provision of exchange access to the Section 272 affiliate unless such facilities, services, or information are made available to other providers of interLATA services in that market on the same terms and conditions;
- X. Shall charge its separate affiliate under Section 272, or impute to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service;
- XI. May provide any interLATA or intraLATA facilities or services to its interLATA affiliate if such services or facilities are made available to all carriers at the same rates and on the same terms and conditions, and so long as the costs are appropriately allocated.

Related FCC Dockets

5. These requirements have been clarified and expanded upon in several FCC proceedings. These proceedings are subject to further modification in subsequent FCC orders, or in orders on reconsideration. Below is a list of FCC orders related to the above requirements:

CC Docket No. 96-149, In the Matter of Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended; *First Report and Order and Further Notice of Proposed Rulemaking*; Released December 24, 1996. Other releases under this docket were issued on February 19, 1997; June 24, 1997; June 10, 1998; September 3, 1999; April 27, 2001

CC Docket No. 00-199, In the Matter of 2000 Biennial Regulatory Review — Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2; *Report and Order and Further Notice of Proposed Rulemaking*; Released November 5, 2001

CC Docket No. 96-150, In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996; *Report and Order*; Released December 24, 1996. Another release under this docket was issued on June 30, 1999

CC Docket No. 96-98, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; *First Report and Order*; Released August 8, 1996 (First Interconnection Order); *Second Report and Order and Memorandum Opinion and Order*; Released August 8, 1996 (Second Interconnection Order)

CC Docket No. 96-115, In the Matter of Implementation of the Telecommunications Act of 1996: Telecommunications Carriers' Use of Customer Proprietary Network Information and Other Customer Information; *Second Report and Order and Further Notice of Proposed Rulemaking*; Released February 26, 1998

6. In addition, the following pending FCC dockets may, if applicable to the activities of the BOC, result in additional regulations surrounding the Nondiscrimination Requirements:

Notice of Proposed Rulemaking, FCC 01-339, released on November 19, 2001, dealing with several dockets, among which, CC Docket No. 01-321 Performance Measurements and Standards for Interstate Special Access Services; CC Docket No. 96-149 Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended; RM 10329 AT&T Corp. Petition to Establish Performance Standards, Reporting Requirements, and Self-Executing Remedies Need to Ensure Compliance by ILECs with Their Statutory Obligations Regarding Special Access Services.

Notice of Proposed Rulemaking, FCC 01-331, released on November 19, 2001, dealing with several dockets, among which, CC Docket No. 01-318 Performance Measurements and Standards for Unbundled Network Elements and Interconnection; CC Docket No. 98-56 Performance Measurements and Reporting Requirements for Operations Support Systems, Interconnection, and Operator Services and Directory Assistance.

The proposed regulations are to be considered by the practitioner only if adopted by the FCC, applicable to Section 272 relationships and to the extent in effect during the engagement period.

ENGAGEMENT PLAN

Engagement Period

7. The AUP engagement shall cover the first 12 months of operations commencing on the day when the Section 272 affiliate is first authorized to provide in-region interLATA service or at such time when a Bell operating company commences manufacturing operations. The period shall begin on January 2, 2003, and end on January 1, 2004. It will include all states where QCII has obtained authority to provide in-region interLATA services. The engagement will also cover all assets since the date of inception of the Section 272 affiliate, which shall be the date when it was named as the 272 affiliate following the merger with the BOC. The biennial audit will cover all services for which a separate affiliate is required under Section 272(a)(2) and includes all BOCs within the Region and ILECs providing services to the Section 272 affiliates. The Audit Test Period will be from January 2, 2003 through September 30, 2003, except where noted.

Sampling

8. Certain audit procedures may require testing on a sample basis. The sample sizes and sampling methodologies to be used in performing such audit procedures shall be determined after the initial survey and/or during the performance of the audit of the Section 272 affiliate. Such determinations shall be made jointly by the practitioner and specified parties. During this process, the practitioner shall obtain detailed listings or lists (representing the population of potential items to be tested) for each procedure. For those procedures requiring statistical sampling, the practitioner shall develop detailed statistical parameters that include the total number of items in the universe, the number of items sampled, method of selection. Where the specified parties and practitioner indicate, and when appropriate, the practitioner shall select a statistically valid sample using random and stratified sampling techniques with the following parameters: a desired confidence level equal to 95%; a desired upper precision limit equal to 5%; and an expected error rate of 1%. Taking under consideration cost versus benefit to be derived, the Oversight Team shall approve the sampling plan, after consulting with QCII, when reviewing the detailed procedures written by the practitioner and/or during the execution of the procedures.

9. Generally, the practitioner should consider all data and information falling within the engagement period; however, unless otherwise stated in this document or accepted by the Oversight Team, the practitioner should obtain data and information as of the latest period available during the engagement period. For procedures requiring sampling sizes to be based on information available as of or for the end of the ninth month, the practitioner will utilize September 30, 2003 as the relevant date, unless otherwise noted. In addition, to the extent that the companies' processes and procedures change between the time of execution of these procedures and the end of the engagement period, the practitioner has an obligation to test these changes to ensure continued compliance with the Section 272 requirements.

Definitions

10. *BOC* If the BOC transfers or assigns to an affiliated entity ownership of any network elements that must be provided on an unbundled basis pursuant to Section 251(c)(3), such entity shall be subject to all of the requirements of the BOC as to those transferred or assigned network elements. For purposes of this engagement, in the event that the BOC provides exchange and/or exchange access services on a retail or wholesale basis exclusively through one or more of its subsidiaries or affiliates, or through one or more other subsidiaries, divisions, etc., of the parent Regional Holding Company, and the same services cannot be purchased directly from the BOC, then these entities shall also be subject to all of the relevant nondiscriminatory requirements of Objectives VII through XI of this document. Affiliates that merely resell the BOC's exchange services and/or exchange access services or lease unbundled elements from the BOC, or engage in permissible joint marketing activities (see Section 272(g)(1) of the Act), shall be excluded from these requirements.

11. *Qwest BOC* For the purposes of this engagement, the term "Qwest BOC" includes Qwest Corporation and any successor or assign of such company as described in ¶10. The term "ILEC" (Incumbent Local Exchange Carrier) includes Qwest Corporation and any successor or assign of such company as described in ¶10.

12. *Affiliate* The term "affiliate" shall refer to a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For this purpose, the term "own" means to own an equity interest (or the equivalent thereof) of more than 10 percent, and the term "person" includes an individual, partnership, association, joint-stock company, trust, or corporation. (See Section 3 of the Communications Act of 1934, as amended.)

13. *Section 272 Affiliate* The audit procedures are required to be performed, unless otherwise specified, on all Section 272 affiliates as defined by the Act. For the purposes of this engagement, the term "separate affiliate" or "Section 272 affiliate" includes the following companies: Qwest LD Corp. (QLDC), Qwest Communications Corporation (QCC), any other affiliate that originates interLATA telecommunications services in the Qwest Communications International, Inc. (QCII), region that is subject to Section 272 separation requirements, and any affiliate that engages in manufacturing activities as defined in Section 273(h). Throughout the procedures which follow, reference is made to the '272 affiliate'. The audit procedures should be performed on all 272 affiliates, to the extent relevant.

14. *Official Services* Official Services mean those services permitted by the United States District Court for the District of Columbia in *United States v. Western Electric Co. Inc.* See 569 F. Supp. 1057, 1098, n.179 (1983) (defined as "communications between personnel or equipment of an Operating Company located in various areas and communications between Operating Companies and their customers"), and its progeny.

15. *Obtain* For purposes of this engagement, the term "obtain" as referred to in the procedures contained herein, shall mean that the practitioner will physically acquire, and generally retain in the working papers, all documents supporting the work effort performed to adequately satisfy the requirements of a procedure. The practitioner, in their professional judgment, shall decide which items are too voluminous to include in the working papers. The practitioner shall include a narrative description of the size of such items as well as any other reasons for their decision not to include them in the working papers.

Conditions of Engagement

16. The practitioner leading this engagement shall be a licensed CPA. The practitioner's team performing the engagement shall be familiar with the standards established for an agreed-upon procedures engagement, the requirements for the Biennial Audit, and its objectives. The team performing the engagement shall also be independent as defined in the Statements on Standards for Attestation Engagements (SSAE 10, paragraphs 1.35-1.38) and in compliance with the Sarbanes-Oxley Act of 2002. The practitioner shall disclose in its engagement letter to QCII how the team shall comply with the independence requirements of the Sarbanes-Oxley Act of 2002. All members of the team performing the engagement shall have a sufficient general understanding of the relevant information contained in the following documents:

- Sections 271 and 272 of the Communications Act of 1934, as Amended;
- Section 32.27, Transactions with Affiliates, of the FCC's Uniform System of Accounts for Telecommunications Companies (USOA);
- The relevant orders and rules from the following FCC Dockets:
 - a. CC Docket No. 86-111 dealing with the allocation of joint costs between the regulated and nonregulated activities of the telephone company;
 - b. CC Docket No. 96-149 dealing with the implementation of the non-accounting safeguards of Sections 271 and 272 of the Act;

- c. CC Docket No. 00-199 dealing with the implementation of the accounting safeguards of Section 271 and 272 of the Act;
 - d. CC Docket No. 96-150 dealing with the implementation of the accounting safeguards of Sections 271 and 272 of the Act;
 - e. CC Docket No. 96-98 dealing with the implementation of the local competition provisions of the Act (the interconnection orders);
 - f. CC Docket No. 96-115 dealing with the use of customer proprietary network information;
 - g. Notice of Proposed Rulemaking, FCC 01-339, released on November 19, 2001, dealing with several dockets, among which, CC Docket No. 01-321 Performance Measurements and Standards for Interstate Special Access Services; CC Docket No. 96-149 Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended; RM 10329 AT&T Corp. Petition to Establish Performance Standards, Reporting Requirements, and Self-Executing Remedies Need to Ensure Compliance by ILECs with Their Statutory Obligations Regarding Special Access Services. The proposed regulations are to be considered by the practitioner only if adopted by the FCC, applicable to Section 272 relationships and to the extent in effect during the engagement period.
 - h. Notice of Proposed Rulemaking, FCC 01-331, released on November 19, 2001, dealing with several dockets, among which, CC Docket No. 01-318 Performance Measurements and Standards for Unbundled Network Elements and Interconnection; CC Docket No. 98-56 Performance Measurements and Reporting Requirements for Operations Support Systems, Interconnection, and Operator Services and Directory Assistance. The proposed regulations are to be considered by the practitioner only if adopted by the FCC, applicable to Section 272 relationships and to the extent in effect during the engagement period.
- QCII's Section 271 application(s) and related FCC approval(s);
 - Orders issued by state commissions approving interconnection agreements that are covered in the scope of the engagement;
 - Petitions for arbitration with the BOC for those agreements tested within the engagement.

17. In addition, to the extent the practitioner determines procedures included in this plan cannot be performed, the practitioner will propose alternate procedures to the Oversight Team, as appropriate. The practitioner will inform the Oversight Team if the practitioner determines it is necessary to modify the agreed upon procedures or the scope of the engagement, in order to provide the specified parties with all of the information needed to determine compliance with the various requirements. The practitioner shall include any additional hours and fees that would result from revisions of the procedures or of the scope of the engagement. After the practitioner informs the Oversight Team of any revisions to the final audit program or to the scope of the audit, the Oversight Team shall inform QCII about these revisions. These revisions will be subject to the procedures described in paragraph 3 above.

18. The practitioner may use the services of a specialist for assistance in highly technical areas. The practitioner and the specified parties shall explicitly agree to the involvement of any specialist to assist in the performance of the engagement. The specialist shall not be affiliated in any form with Qwest Corporation or any affiliate of Qwest Communications International, Inc.

19. The practitioner's use of internal auditors shall be limited to the provision of general assistance and the preparation of schedules and gathering of data for use in the engagement. Under no circumstances shall the internal auditors perform any of the procedures contained in this document. All the procedures in this document shall be performed by the practitioner.

20. The practitioner shall not use or rely on any of the procedures performed during any of the Qwest Corporation cost allocation manual (CAM) audits to satisfy any of the requirements in Objectives V/VI.

Representation Letters

21. The practitioner shall obtain three types of representation (assertion) letters. The first type of representation letter shall address all items of an operational nature (see para.22). The second type of representation letter shall address all items of a financial nature (see para.23). The third type of representation letter shall state that all Section 272 affiliates have been disclosed (see para.24). The following paragraphs detail the contents of each type of representation letter.

22. The representation letters related to operations issues shall be signed by the Chief Operating Officer or the equivalent of the Qwest BOC and each Section 272 affiliate and shall include the following:

a. acknowledgement of management responsibility for complying with specified requirements;

b. acknowledgement of management responsibility for establishing and maintaining an effective internal control structure over compliance;

c. statement that the company has performed an internal evaluation of its compliance with the specified requirements;

d. statement that management has disclosed or will disclose to the practitioner all known noncompliance with Section 272 occurring up to the date of the draft report;

e. statement that management has made available all documentation related to compliance with the specified requirements;

f. statement that management has disclosed all written communications from regulatory agencies, internal auditors, external auditors, and other practitioners, and any written formal or informal complaints to regulatory agencies from competitors, concerning possible noncompliance with the specified requirements, including communications received between the end of the period addressed in management's assertion and the date of the practitioner's report;

g. statements that: each Section 272 affiliate operates independently from the Qwest BOC; no Qwest BOC owns any facilities jointly with the Section 272 affiliate; no Qwest BOC, or other affiliates other than the Section 272 affiliate itself, provides any operations, installation, and maintenance functions over the facilities owned by the Section 272 affiliate, or leased by the Section 272 affiliate from unaffiliated entities; no Section 272 affiliate provides any operations, installation, and maintenance functions over the BOC/ILEC's facilities; and no Qwest BOC is providing and did not provide any research and development that is a part of manufacturing on behalf of the Section 272 affiliate pursuant to Section 272(a);

h. statement that each Section 272 affiliate has separate officers, directors, and employees from those of any Qwest BOC;

i. statement that no Qwest BOC discriminated between itself or the Section 272 affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards (on the Qwest BOC's representation letter only);

j. statement that the Qwest BOC subject to Section 251(c) of the Act has fulfilled requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or its affiliates (on the Qwest BOC's representation letter only);

k. statement that the Qwest BOC subject to Section 251(c) of the Act has made available facilities, services, or information concerning its provision of exchange access to other providers of interLATA services on the same terms and conditions as it has made available to its Section 272 affiliate(s) that operate in the same market (on the Qwest BOC's representation letter only).

23. The representation letters related to financial issues shall be signed by the Chief Financial Officer or the equivalent of each Qwest BOC and each Section 272 affiliate and shall include the following:

a. statement that each Section 272 affiliate maintains separate books, records, and accounts from those of the Qwest BOC and that such separate books, records, and accounts are maintained in accordance with GAAP;

b. statement that each Section 272 affiliate has not obtained credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the Qwest BOC;

c. statement that management has identified to the practitioner all assets transferred or sold and services rendered: (i) by the Qwest BOC to each Section 272 affiliate; (ii) by each Section 272 affiliate to the Qwest BOC; and that these transactions have been accounted for in the required manner;

d. statement that the Qwest BOC subject to Section 251(c) of the Act has charged its Section 272 affiliate, or imputed to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service (on the Qwest BOC's representation letter only);

shall proceed as follows:

- The Oversight Team and the practitioner shall perform a joint survey of each Section 272 affiliate and the relevant Qwest BOC. The Oversight Team and the practitioner shall coordinate with QCII to determine the nature, timing and extent of this survey at a mutually agreeable time and location. The survey shall provide the practitioner and the Oversight Team with an overview of the company's structure and policies and procedures such as record keeping processes, the extent of affiliate transactions, and Qwest BOC procedures for processing orders for services received from affiliates, unaffiliated entities, and its own end-user customers. The survey shall be conducted between four to six months before the end of the period to be covered by this engagement.
- The practitioner shall develop a detailed audit program based on the final audit requirements and submit it for review to the Oversight Team (Section 53.211(d)).
- The Oversight Team shall have 30 days to review the detailed procedures for consistency and adequacy of audit coverage and shall provide to the practitioner any modifications that shall be incorporated into the final audit program (Section 53.211(d)).

27. Access to all information during the section 272(d) biennial audit shall be restricted to: (a) FCC staff members; (b) state commission staff members where the state commission by statute protects company proprietary data; (c) state commission staff members who have signed a protective agreement with QCII; (d) state commission staff members of any participating state that has confidentiality procedures in effect covering all staff and that requires the Chairman or designee to sign the protective agreement on behalf of the entire commission including commission staff; and (e) state commission staff members who have not signed the protective agreement, but that QCII does not object to provide oral or written information, provided that they do not take possession of such information.

28. The detailed examination of transactions shall begin at such time as the practitioner deems appropriate to complete the engagement in accordance with the time schedule set forth in Section 53.211 and Section 53.213 of the Commission's rules.

29. During the conduct of this engagement, and until issuance of the final report to the Commissions, the practitioner shall schedule monthly meetings with the Oversight Team and, at the discretion of the practitioner and the Oversight Team, with QCII to discuss the progress of the engagement. The practitioner shall inform the Oversight Team well in advance, but not less than 10 days, of plans to meet with representatives of QCII for the following reasons: to discuss plans and procedures for the engagement; to survey QCII operations; to review QCII procedures for maintaining books, records, and accounts; and to discuss problems encountered during the engagement. It shall not be necessary for the practitioner to inform the Oversight Team of meetings with the client to ask for clarification or explanation of certain items, explore what other records exist, or request data. The practitioner shall immediately inform in writing the

Oversight Team of any deviation from, or revisions to, the final detailed audit procedures and provide explanations for such actions. The practitioner shall submit to the Chief, Enforcement Bureau, and shall copy the Oversight Team and, at the practitioner's discretion, QCII, any rule interpretation necessary to complete the engagement. The practitioner shall advise the Oversight Team of the need for additional time to complete the engagement in the event that the Oversight Team requests additional procedures (see 30c. below). Finally, the practitioner shall immediately inform in writing the Oversight Team of any failure by QCII to respond to requests for information during the engagement.

Timetables

30. In order to complete the engagement in a timely manner, the following time schedule for completion of certain tasks is provided:

a. Within 60 days after the end of the engagement period, but prior to discussing the findings with QCII, the practitioner shall submit a draft of the report to the Oversight Team.

b. The Oversight Team shall have 45 days to review the findings and working papers and offer its recommendations, comments, and exceptions concerning the conduct of the engagement to the practitioner. The exceptions of the Oversight Team to the findings and conclusions of the practitioner that remain unresolved shall be included in the final report.

c. If the Oversight Team requests additional procedures, the practitioner shall advise the Oversight Team and QCII of any need for additional time to perform such procedures. Otherwise, within 15 days after receiving the Oversight Team's recommendations and making the appropriate revisions, the practitioner shall submit the report to QCII for its comments on the findings, and to the Oversight Team.

d. Within 30 days after receiving the report, QCII will comment on the findings and send a copy of its comments to both the practitioner and the Oversight Team. QCII will also provide the practitioner and the Oversight Team notification of all items contained in the draft report, which QCII contends to be confidential. The BOC's response shall be included as part of the final report.

e. Within 10 days after receiving QCII's comments, the practitioner may respond to QCII's comments and shall make available for public inspection the final report by filing it with the regulatory agencies having jurisdiction over QCII. The final report shall contain the procedures employed with the related findings, the Oversight Team's comments, QCII's comments, the practitioner's reply comments, and a copy of these procedures as executed.

f. Interested parties shall have 60 days from the date the report is made available for public inspection to file comments with the Commission and/or any state regulatory agency.

Report Structure

31. Consistent with the AICPA standards for AUP engagements, the practitioner must present the results of performing the audit procedures in the form of findings, including dollar amounts, resulting from application of the audit procedures. The practitioner must avoid vague or ambiguous language in reporting the findings and shall describe in the final report all instances of noncompliance with Section 272 or its related implementing rules that were noted by the practitioner in the course of the engagement, or disclosed by QCII during the engagement and not covered by the performance of these procedures. Where samples are used to test data, the report shall identify the size of the universe from which the samples were drawn, the size of the sample, the sampling methodology used and, where appropriate, the standard deviation and mean. The final report shall contain the procedures employed with the related findings, the Oversight Team's comments, QCII's comments, the practitioner's reply comments, and a copy of these procedures as executed. The practitioner's report must also contain the following elements:

- a. A title that includes the word independent.
- b. Identification of the specified parties.
- c. Identification of the subject matter (or the written assertion related thereto) and the character of the engagement.
- d. Identification of Qwest Communications International, Inc. as the responsible party.
- e. A statement that the subject matter is the responsibility of the responsible party.

- f. A statement that the procedures performed were those agreed to by the specified parties identified in the report or as directed by the Bureau or the Commission, as specified in paragraph 3.
- g. A statement that the agreed-upon procedures engagement was conducted in accordance with attestation standards established by the AICPA
- h. A statement that the sufficiency of the procedures is solely the responsibility of the specified parties and a disclaimer of responsibility for the sufficiency of those procedures.
- i. A list of the procedures performed (or reference thereto) and related findings.
- j. A statement that the practitioner was not engaged to and did not conduct an examination of the subject matter, the objective of which would be the expression of an opinion, a disclaimer of opinion on the subject matter, and a statement that if the practitioner had performed additional procedures, other matters might have come to his or her attention that would have been reported.
- k. This report becomes a matter of public record via the practitioner's filing the final report with the FCC and the state regulatory agencies having jurisdiction over QCII.
- l. A description of any limitations imposed on the practitioner by the BOC/ILEC or any other affiliate, or other circumstances that might affect the practitioner's findings.
- m. A description of the nature of the assistance provided by specialists and internal auditors.

**QWEST COMMUNICATIONS INTERNATIONAL, INC.
BIENNIAL ENGAGEMENT PROCEDURES**

Procedures for Structural Requirements

OBJECTIVE I. Determine whether the separate affiliate required under Section 272 of the Act has operated independently of the Bell operating company.

STANDARDS

The FCC has issued rules and regulations in CC No. Docket 96-149, Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended. Some of those rules require that,

- A BOC and its Section 272 affiliate cannot jointly own transmission and switching facilities, broadly defined as local exchange and exchange access facilities, or the land and buildings where those facilities are located. (See 47 C.F.R. Section 53.203(a)(1) and First Report and Order, para. 15, 158, 160)
- A Section 272 affiliate shall not perform operating, installation or maintenance functions associated with the BOC's facilities. Likewise, a BOC or any BOC affiliate, other than the Section 272 affiliate itself, shall not perform operating, installation or maintenance functions associated with the facilities that each Section 272 affiliate owns or leases from a provider other than the BOC with which it is affiliated. (See 47 C.F.R. Section 53.203(a)(2), (3) and First Report and Order, para. 15, 158, 163)
- To the extent that research and development is a part of manufacturing, it must be conducted through a Section 272 affiliate. If a BOC seeks to develop services for or with its Section 272 affiliate, the BOC must develop services on a nondiscriminatory basis for or with other entities pursuant to Section 272(c)(1). (See First Report and Order, para. 169)

PROCEDURES

1. Inspect the certificate of incorporation, bylaws, and articles of incorporation of each Section 272 affiliate to determine whether these affiliates were established as corporations separate from the Qwest BOC. Note in the report the results of this procedure.

2. Obtain and inspect corporate entities' organizational chart(s) and confirm, as appropriate, with legal representatives of the Qwest BOC, Section 272 affiliates, and Qwest Communications International, Inc., the legal, reporting, and operational corporate structure of the Section 272 affiliates. Disclose these facts in the report. Document and disclose in the report who owns the Section 272 affiliates.
3. Inquire of management, identify and document which entity performs operations, installation and maintenance functions over facilities either owned or leased by each Section 272 affiliate, or leased from a third party by each Section 272 affiliate.
 - a.) Obtain management's definition and interpretation of operations, installation, and maintenance (OI&M) functions. Describe in the report management's definition of OI&M.
 - b.) Disclose in the report whether or not any of these above described OI&M services are being performed by the Qwest BOC and/or other non-272 affiliate(s) on facilities either owned by any Section 272 affiliate or leased from a third party by any Section 272 affiliate. For each such service being performed by the Qwest BOC or other non-272 affiliate(s), disclose in the report what service is being performed by what entity.
 - c.) Disclose in the report whether or not any of these above described OI&M services are being performed by any Section 272 affiliate on facilities either owned by the Qwest BOC or leased from a third party by the Qwest BOC. For each such service being performed by any Section 272 affiliate, disclose in the report what service is being performed.
4. Inquire of management to determine whether the Qwest BOC performs any R&D activities on behalf of the Section 272 affiliates. If yes, obtain descriptions of research and development (R&D) activities of the Qwest BOC for the audit test period, January 2, 2003 through September 30, 2003, and note any R&D related to the activities of each Section 272 affiliate. For R&D related to the activities of each Section 272 affiliate, inquire with Qwest BOC personnel for more details, such as the extent of R&D provided, progress reports, cost, and whether the Section 272 affiliate has been billed and has paid for this service and disclose in the report. Inquire and disclose in the report as to whether R&D service is offered and/or has been performed when requested by unaffiliated entities.
5. Obtain for each Section 272 affiliate as of the end of the audit test period, September 30, 2003, the balance sheet, a detailed listing of all fixed assets including capitalized software, and a detailed listing of all operating leases between each Section 272 affiliate and QNLP. The detailed listing of all fixed assets should include the capital leases of each Section 272 affiliate.

For each Section 272 affiliate, perform the following:

- a. Reconcile the amount of the detailed listing of all fixed assets to the amount of fixed assets shown on the Balance Sheet. If the list does not reconcile, inquire and document why and disclose in the report any differences between the Balance Sheet and the total amount of the fixed assets on the detailed listing. Identify in the report the types of assets involved in these differences and provide explanations in the report.
- b. Combine the detailed listing of all fixed assets and the detailed listing of all operating leases with QNLP. Identify in the combined listing all assets/operating leases acquired after the merger of Qwest and U S WEST on July 1, 2000. For a statistically valid sample of the post-merger assets/operating leases, verify that the detailed listing includes a description and the location of each item, date of purchase, price paid and recorded, and from whom purchased or transferred. Disclose in the report any item, including dollar amounts, where any of this information is missing.
- c. Identify in the combined listing of assets/operating leases all transmission and switching facilities (acquired after July 1, 2000). These transmission and switching facilities should include capitalized software, the land and buildings where those facilities are located, and any such facilities that are the subject of an operating lease between the Section 272 affiliate and QNLP. For a statistically valid sample of transmission and switching facilities, inspect title and/or other documents, which reveal ownership. Look for and note in the report any transmission and switching facilities that are owned jointly with the Qwest BOC.
- d. If any required information or documents for this procedure are not made available, disclose such circumstances in the report.

NOTE: The balance sheet and detailed listings obtained in this procedure should also be used to perform Procedure 8 under Objective V/VI.

OBJECTIVE II. Determine whether the separate affiliate required under Section 272 of the Act has maintained books, records, and accounts in the manner prescribed by the Commission that are separate from the books, records, and accounts maintained by the Bell operating company.

STANDARDS

In CC Docket No. 96-150, Implementation of the Accounting Safeguards Under the Telecommunications Act of 1996, the FCC requires that each Section 272 affiliate maintain books, records, and accounts, in accordance with generally accepted accounting principles (GAAP), and separate from those of the BOC. (See Report and Order, para. 170)

PROCEDURES

1. Obtain the general ledger (G/L) of each Section 272 affiliate and match the title on the G/L with the name of the affiliate on the certificate of incorporation to determine that a separate G/L is maintained. Look for special codes, if any, which may link this G/L to the G/L of the Qwest BOC and provide documentation. State in the report whether or not a separate G/L is maintained, if not, explain why. Note: Linkage at corporate headquarters for consolidations is an accepted practice.
2. Obtain each Section 272 affiliate's financial statements and a listing of the lease agreements as of the end of the audit test period, September 30, 2003. Identify leases, entered into after the date the 272 affiliate was named following the merger with the BOC, for which the annual obligation listed in the lease agreement is \$500,000 or more. Test both leases for which the 272 affiliate is the lessor and leases for which the 272 affiliate is the lessee. For a statistically valid sample of leases, make a note of the terms and conditions to determine whether these leases have been accounted for in accordance with GAAP. Determine whether client lease accounting policies are in accordance with GAAP. Disclose in the report any instance where these leases were not accounted for in accordance with GAAP.
3. Obtain the written policies and procedures of each Section 272 affiliate for complying with the requirement to maintain its books, records, and accounts in accordance with GAAP.

4. Inquire of management whether any audit or internal investigation, including the audit of the holding company's financial statements, entailed any testing of any Section 272 affiliate for GAAP compliance. Document management's response in the report. Inquire of management whether any audit or internal investigation of the Qwest BOC, any Section 272 affiliate, the holding company, or any affiliate (including QNLP) that has financial transactions, including affiliate transactions, with any Section 272 affiliate identified any noncompliance with GAAP in the initial unaudited financial statements provided by management to the practitioner. If so, describe such noncompliance in the report.
5. Inquire of management and document in the workpapers the steps management performed to represent in its representation letter to the independent auditor that each Section 272 affiliate complied with GAAP during the engagement period.
6. Inquire and disclose in the audit report the date during the engagement period when Qwest Communications Corporation started offering or provisioning in-region interLATA services, and the date when Qwest Communications Corporation merged with Qwest LD Corp.

OBJECTIVE III. Determine whether the separate affiliate required under Section 272 of the Act has officers, directors, and employees that are separate from those of the Bell operating company.

STANDARDS

The FCC in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended, interprets the above requirement further by stating the following:

- Separate officers, directors, and employees simply dictates that the same person may not simultaneously serve as an officer, director, or employee of both a BOC and its Section 272 affiliate. (See First Report and Order, para. 178.)

PROCEDURES

1. Inquire, document and disclose in the report whether each Section 272 affiliate and the Qwest BOC maintain separate boards of directors, separate officers, and separate employees. For each Qwest BOC and Section 272 affiliate, obtain a list of the names of directors and officers of the Qwest BOC and Section 272 affiliate, including the dates of service for each Board member and officer for the engagement period. Compare the list of the names of directors and officers of the Qwest BOC with a list of the names of directors and officers of each Section 272 affiliate. For those names appearing on both Qwest BOC and any Section 272 affiliate lists, obtain explanations from management and request social security numbers and addresses to ensure that they are not the same individuals. Disclose in the report the number of directors and officers (who have the same social security number and address) who served simultaneously as a director and/or officer of the Qwest BOC and any Section 272 affiliate.
2. Obtain from their respective Human Resource Departments a list of names and social security numbers of all employees of each Section 272 affiliate and each Qwest BOC for the Audit Test Period. Run a program which compares names and social security numbers of employees and document in the workpapers the names appearing on both Qwest BOC and any Section 272 affiliate lists, respectively. For any employee appearing on both lists simultaneously, inquire and document why in the report.

OBJECTIVE IV. Determine that the separate affiliate required under Section 272 of the Act has not obtained credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the Bell operating company.

STANDARDS

The FCC in 47 C.F.R. Section 53.203(d) indicates that a Section 272 affiliate shall not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the BOC of which it is an affiliate.

The FCC also expands on this premise in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended. In this docket the Commission states that,

- A BOC cannot co-sign a contract or any other instrument with a Section 272 affiliate that would allow each Section 272 affiliate to obtain credit granting recourse to the BOC's assets. (See First Report and Order, para. 189)
- The BOC parent, or any other non-272 affiliate, cannot sign or co-sign a contract or any arrangement with a Section 272 affiliate that would allow the creditor to have recourse to the BOC assets. (See First Report and Order, para. 189)
- A Section 272 affiliate cannot enter any arrangement with any party that would permit the lender to have recourse to the BOC in the event of a default. (See First Report and Order, para. 189)

PROCEDURES

1. Document in the workpapers each Section 272 affiliate's debt agreements/instruments and credit arrangements with lenders and major suppliers of goods and services. Look for guarantees of recourse to the Qwest BOC's assets, either directly or indirectly through another affiliate, and document those instances and disclose in the report. Major suppliers are those having \$500,000 or more in annual sales (as stated in the agreement or having \$375,000 in sales through the audit test period, September 30, 2003) to the Section 272 affiliate.
2. Using the lease agreements obtained in Objective II, Procedure 2, document any instances in which each Section 272 affiliate's lease agreements (where the annual obligation is \$500,000 or more as stated in the agreement) have recourse to the assets of the Qwest BOC, either directly or indirectly through another affiliate, and disclose in the report.
3. For all debt instruments, leases, and credit arrangements maintained by each Section 272

affiliate in excess of \$500,000 of annual obligations and for a sample of 10 debt instruments, leases and credit arrangements that are less than \$500,000 in annual obligations (judgmental sample), obtain (positive) confirmations from loan institutions, major suppliers, and lessors to attest to the lack of recourse to the Qwest BOC's assets. Disclose in the report any recourse noted. (NOTE: Testing of recourse herein need not be done for debt instruments, leases, or credit arrangements with affiliates.)

Procedures for Accounting Requirements

OBJECTIVE V. Determine whether the separate affiliate required under Section 272 of the Act has conducted all transactions with the Bell operating company on an arm's length basis with the transactions reduced to writing and available for public inspection.

OBJECTIVE VI. Determine whether or not the Bell operating company has accounted for all transactions with the separate affiliate in accordance with the accounting principles and rules approved by the Commission.

STANDARDS

The FCC in CC Docket 96-150, Implementation of the Accounting Safeguards Under the Telecommunications Act of 1996, interprets the above requirements further by stating:

- A Section 272 affiliate shall conduct all transactions with the BOC of which it is an affiliate on an arm's length basis, pursuant to the accounting rules described in 47 C.F.R. Section 32.27, Transactions with Affiliates, of the FCC Rules and Regulations, with any such transactions reduced to writing and available for public inspection. (See 47 C.F.R. Section 53.203(e)). Section 32.27 requires the following:

For transactions involving the sale or transfer of assets or products between the carrier and affiliates:

- a. assets sold to or by the carrier under tariff must be recorded at tariffed rate in the books of the carrier;
- b. nontariffed assets sold to or by the carrier that qualify for prevailing price must be recorded at prevailing price in the books of the carrier. In order to qualify for prevailing price valuation, sales of a particular asset must encompass greater than 25% of the total quantity of such product sold by an entity; 25% threshold is applied on an asset by asset basis rather than on a product line basis;
- c. all other assets sold by or transferred from a carrier to affiliates must be recorded in the books of the carrier at no less than the higher of fair market value or net book cost; (Note: carriers are required to make a good faith estimate of fair market value.)
- d. all other assets purchased by or transferred to a carrier from affiliates must be recorded in the books of the carrier at no more than the lower of fair market value or net book cost;

Exception: Threshold. Carriers are required to make a good faith determination of fair market value for an asset when the total aggregate annual value of the asset(s) reaches or exceeds \$500,000, per affiliate. When a carrier reaches or exceeds the \$500,000 threshold for a particular asset for the first time, the carrier must perform the market valuation and value the transaction on a going-forward basis in accordance with the affiliate transactions rules. When the total aggregate annual value of the asset(s) does not reach or exceeds \$500,000, the asset(s) shall be recorded at net book cost.

For transactions involving the provision of services between the carrier and affiliates:

- a. services provided to or by the carrier at tariff must be recorded at tariffed rate in the books of the carrier;
- b. nontariffed services provided to or by the carrier pursuant to publicly filed agreements submitted to a state commission must be recorded in the books of the carrier at the rate appearing in publicly filed agreements;
- c. nontariffed services provided to or by the carrier that qualify for prevailing price must be recorded in the books of the carrier at prevailing price. In order to qualify for prevailing price valuation, sales of a particular service must encompass greater than 25% of the total quantity of such service sold by an entity; 25% threshold is applied on a service by service basis rather than on a service line basis;
- d. all other services provided to a carrier by an affiliate must be recorded in the books of the carrier at no more than the lower of fair market value or fully distributed cost.
- e. all other services provided by the carrier to an affiliate must be recorded in the books of the carrier at no less than the higher of fair market value or fully distributed cost.

Exception: Threshold. Carriers are required to make a good faith determination of fair market value for a service when the total aggregate annual value of that service reaches or exceeds \$500,000, per affiliate. When a carrier reaches or exceeds the \$500,000 threshold for a particular service for the first time, the carrier must perform the market valuation and value the transaction on a going-forward basis in accordance with the affiliate transactions rules. When the total aggregate annual value of the service does not reach or exceeds \$500,000, the service shall be recorded at fully distributed cost.

f. Fully distributed cost is determined by following the standards contained in 47 C.F.R. Section 64.901, Allocation of Costs, of the FCC Rules and Regulations. These rules emphasize direct assignment and cost causation. First, costs are to be directly assigned either to regulated or nonregulated activities to the maximum extent possible. Then, costs which cannot be directly assigned are to be grouped into homogeneous cost pools and allocated in accordance with direct or indirect measures of cost causation. Residual costs which cannot be apportioned on any cost-causative basis will be apportioned using the general allocator. The general allocator is the ratio of all expenses directly assigned or attributed to nonregulated activities, to the total of all (regulated and nonregulated) directly assigned or attributed expenses.

- A BOC and a Section 272 affiliate may provide in-house services to one another, except for operating, installation, or maintenance services of switching and transmission facilities. These in-house services, however, must be provided on an arm's length basis, and must be in writing. (See CC Docket No. 96-149, First Report and Order, para 180)
- Provision of exchange and exchange access services and unbundled network elements constitute transactions requiring disclosure (See CC Docket No. 96-150, Report and Order, para. 124). These transactions include the provision of transmission and switching facilities by the BOC and its affiliate to one another. (See CC Docket No. 96-149, First Report and Order, para. 193)
- The separate affiliate must provide a detailed written description of the asset transferred or service provided, together with the specific price, frequency, and the terms and conditions of the transaction on the Internet within 10 days of the transaction through the company's home page. (Note: a transaction is deemed to have occurred once the BOC and its affiliate have agreed upon the terms and conditions of the transaction, not when the service is actually performed or the asset actually sold.) These descriptions should be sufficiently detailed to allow evaluation of compliance with accounting rules. This information must also be made available for public inspection at the principal place of business of the BOC and must contain a certification statement identical to that included in the ARMIS Reports. This certification statement declares that an officer of the BOC has represented that to the best of his/her knowledge all statements of fact contained in the submission are true and the submission is an accurate statement of the affairs of the BOC for the relevant period. (See CC Docket No. 96-150, Report and Order, para. 122)
- Affiliate transaction rules apply to transactions between the BOC and each Section 272 affiliate; between each Section 272 affiliate and a nonregulated affiliate, that ultimately result in an asset or service being provided to the BOC,

i.e., chained transactions. (See CC Docket No. 96-150, Report and Order, para. 183)

- Products and services made available to the Section 272 affiliate and to unaffiliated companies need not meet the 25% threshold in order for a BOC to record the transaction involving such products and services at prevailing price. (See CC Docket No. 96-150, Report and Order, para. 137; CC Docket No. 00-199, Appendix F Section 32.27)
- Nondiscrimination requirements extend to any good, service, facility, or information that a BOC provides to its Section 272 affiliate(s) with the exception of joint marketing, which is covered in Section 272(g) of the Act. Unaffiliated entities must have equal opportunity to acquire any such good, service, facility, or information. In particular, if a BOC were to decide to transfer ownership of a unique facility, such as its Official Services network, to a Section 272 affiliate, it must ensure that the Section 272 affiliate and unaffiliated entities have an equal opportunity to obtain ownership of this facility. (See CC Docket No 96-149, First Report and Order, para. 218)
- Interstate rate base, revenue requirements, and price cap indices of the BOC must be reduced by the costs related to any regulated facilities transferred to each Section 272 affiliate. (See CC Docket No. 96-150, Report and Order, para. 265)

PROCEDURES

1. Document in the working papers the procedures used by the Qwest BOC to identify, track, respond, and take corrective action to competitors' complaints with respect to alleged violations of the Section 272 requirements. Obtain from the Qwest BOC a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716 and any written complaints made to a state regulatory commission from competitors involving the provision or procurement of goods, services, facilities, and information, or in the establishment of standards which were filed during the engagement period. The list should group the complaints in the following categories:
 - allegations of cross-subsidies (for Objectives V and VI);
 - allegations of discriminatory provision or procurement of goods, services, facilities, customer network services information (excludes customer proprietary network information (CPNI)), or the establishment of standards (for Objective VII);
 - allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and

- discriminatory resolution of network problems (for Objective VIII);
- allegations of discriminatory availability of exchange access facilities (for Objective IX);
 - allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliate (for Objective XI).

For each group of complaints, determine by inquiry and documentation how many of these complaints were under investigation, how many complaints had been resolved and in what time frame they had been resolved, if feasible, and disclose in the report. For those complaints that had been resolved, document and disclose in the report how those allegations were concluded and, if the complaint was upheld, inquire and document and disclose in the report what steps the company has taken to prevent those practices from recurring.

Note: Although applicable to complaints pertaining to Objective V/VI, VII, VIII, IX and XI, this procedure appears only once and will be performed only once for Objectives V/VI, VII, VIII, IX and XI. However, reporting of the results of this procedure should be made under each respective objective.

2. Obtain from the Qwest BOC and each Section 272 affiliate, current written procedures for transactions with affiliates. Compare these procedures with the FCC rules and regulations indicated as "standards" above. Note and describe any differences and disclose in the report.
3. Inquire and describe how the Qwest BOC and each Section 272 affiliate disseminate the FCC rules and regulations and raise awareness among employees for compliance with the affiliate transactions rules. For this purpose, describe in the report type and frequency of training, if any, literature distributed, company's policy, and document the supervision employees responsible for affiliate transactions received. Interview employees responsible for the development and recording of affiliate transactions costs in the books of record of the carrier to determine awareness of these rules. Disclose in the report whether these employees demonstrated knowledge of these rules.

4. Obtain listing of all written agreements for services and for interLATA and exchange access facilities between the Qwest BOC and each Section 272 affiliate which were in effect during the audit test period, January 2, 2003 through September 30, 2003. For a statistically valid sample, obtain copies of written agreements, summarize these agreements, if feasible, otherwise, include copies of relevant pages, and note names of parties, type of service, price, terms, and conditions. Note which agreements are still in effect. For those agreements no longer in effect, indicate the termination date; identify agreements terminated prematurely and document why and disclose in the report. Inquire and document and disclose in the report the provisioning of any service without a written agreement.

5. Using the sample of the agreements obtained in procedure 4, view each company's web site on the Internet and compare the prices and terms and conditions of services and assets shown on this site to the agreements provided in Procedure 4 above. Disclose in the report any instance where any item in the agreement does not agree with the corresponding item on the Internet. Using the same sample as above, by physical inspection, determine whether the same information is made available for public inspection at the principal place of business (BOC headquarters) of the Qwest BOC. Describe any differences and inquire why such differences exist and disclose in the report. If the company makes any claim of confidentiality for nondisclosure, obtain details. It should be noted that these transactions should be posted for public inspection within 10 days of their occurrence. Document in the working papers the dates when the agreements in the sample were signed and/or the services were first rendered (whichever took place first) and the dates of posting on the Internet. Inquire and note in the report late postings and reasons when posting took place after 10 days of signing of agreement or provision of service (whichever took place first). Document in the working papers the procedures the company has in place for posting these transactions on a timely basis. The information provided on the Internet should be in sufficient detail to allow evaluation for compliance with accounting rules (see Docket No. 96-150, Report and Order, para. 122). For example, such disclosures should include a description of the rates, terms, and conditions of all transactions, as well as the frequency of recurring transactions and the approximate date of completed transactions. For asset transfers, the disclosure should include the appropriate quantity and, if relevant, the quality of the transferred assets. For affiliate transactions involving services, the disclosure should include the number and type of personnel assigned to the project, the level of expertise of such personnel (including the associated rate per service unit (e.g. contacts, hours, days, etc)), any special equipment used to provide the service, and the length of time required to complete the transaction. Additionally, the disclosure should state whether the hourly rate is a fully-loaded rate, and whether or not that rate includes the cost of materials and all direct or indirect miscellaneous and overhead costs for goods and services provided at Fully Distributed Cost. If the information disclosed on the Internet is not sufficiently detailed as described above, document and describe in the report any differences and inquire why

such differences exist. (See Docket No. 98-121, Memorandum Opinion and Order, para. 337.) Obtain copies of these public postings and include in the working papers.

6. Obtain a listing with amounts of all services rendered by Qwest Corporation to each Section 272 affiliate, by month, during the audit test period, January 2, 2003 through September 30, 2003. Determine which of these services are made available to each Section 272 affiliate and not made available to third parties, and which services are made available to both a Section 272 affiliate and to third parties.
 - a. From the services not made available to third parties, select a statistically valid sample and determine whether the amounts recorded for the sampled services in the books of Qwest Corporation are in accordance with the affiliate transactions rules of the Commission. Compare unit charges to Fully Distributed Cost (FDC) or Fair Market Value (FMV) as appropriate. When differences exist, note in the report the number of instances and the amount by which each item is greater than or less than the amount required by the rules and, after inquiry, the reasons for these occurrences. Disclose in the report any differences between the amount the Section 272 affiliate has recorded in its books of account for these services and the amount the Section 272 affiliate has paid to Qwest Corporation for the same services.
 - b. From the services by month made available to both the Section 272 affiliates and to third parties, select a statistically valid sample of services by month. For each service by month selected, randomly select one invoice that includes the service by month selected and compare the amounts recorded for the sampled invoice in the books of Qwest Corporation, the amounts recorded for the sampled invoice in the books of the Section 272 affiliate, and the amounts the Section 272 affiliate has paid to Qwest Corporation for the sampled invoice. When differences exist, note in the report the number of instances and, after inquiry, the reasons for these occurrences. Disclose in the report the differences between the amount recorded in the books of Qwest Corporation and the amount recorded by the Section 272 affiliate for the same invoice. Also disclose any differences between the amount recorded in the books of the Section 272 affiliate and the amount the Section 272 affiliate has paid to Qwest Corporation for the same invoice.
7. Obtain a listing and amounts of all services rendered by month and by customer account to the Qwest BOC by each Section 272 affiliate during the audit test period, January 2, 2003 through September 30, 2003. Select a statistically valid sample of the services by month and by customer account and compare unit charges to tariff rates, PMP, FDC, or FMV, as appropriate, to determine whether these services were recorded in the books of the Qwest BOC in accordance with the affiliate transactions rules. When differences exist, note in the report the number of instances and the amount by which each item is

greater than or less than the amount required by the rules. Inquire and make a note of reasons for these occurrences in the report. Disclose in the report the differences between the amount the Qwest BOC has recorded for the services in its books of account and the amount the Qwest BOC has paid for the same services to the Section 272 affiliate.

8. Obtain for each Section 272 affiliate as of the end of the audit test period, September 30, 2003, the balance sheet, a detailed listing of all fixed assets including capitalized software, and a detailed listing of all operating leases between each Section 272 affiliate and QNLP. The detailed listing of all fixed assets should include the capital leases of each Section 272 affiliate.

For each Section 272 affiliate, perform the following:

- a. Reconcile the amount of the detailed listing of all fixed assets to the amount of fixed assets shown on the Balance Sheet. If the list does not reconcile, inquire and document why and disclose in the report any differences between the Balance Sheet and the total amount of the fixed assets on the detailed listing. Identify in the report the types of assets involved in these differences and provide explanations in the report.
- b. Combine the detailed listing of all fixed assets and the detailed listing of all operating leases with QNLP. Identify in the combined listing all assets/operating leases acquired after the merger of Qwest and U S WEST on July 1, 2000. For a statistically valid sample of the post-merger assets/operating leases, verify that the detailed listing includes a description and the location of each item, date of purchase, price paid and recorded, and from whom purchased or transferred. Disclose in the report any item, including dollar amounts, where any of this information is missing.
- c. Identify in the combined listing of assets/operating leases all items purchased or transferred from the Qwest BOC. For each such item, obtain net book cost and fair market value. Inquire and document in the report how fair market value was determined. Inspect these transactions to determine whether they were recorded in the books of the Qwest BOC at the higher of FMV or net book cost, as required by the Commission's rules in Section 32.27, and disclose in the report.
- d. Identify in the combined listing of assets/operating leases all items purchased or transferred from another affiliate. For each such item, identify and document in the report whether they were originally transferred from the Qwest BOC to other affiliates.
- e. For those items purchased or transferred from the Qwest BOC post-merger, either directly or through another affiliate, inquire and obtain details as to how the Qwest BOC made an equal opportunity available to unaffiliated entities to obtain ownership of the facilities and disclose the results in the report. Describe and disclose in the report how and upon

what basis the Qwest BOC decided to transfer/sell the facilities to a Section 272 affiliate instead of an unaffiliated entity.

- f. If any required information or documents for this procedure are not made available, disclose such circumstances in the report.

NOTE: The balance sheet and detailed listings obtained in this procedure should also be used to perform Procedure 5 under Objective I.

9. Where assets and/or services are priced pursuant to Section 252(e) (i.e., as approved by the regulatory commissions) or statements of generally available terms pursuant to Section 252(f), obtain a listing of amounts billed to the Section 272 affiliates from the Qwest BOC for such services. From this listing, select a statistically valid sample of the amounts billed for the assets and/or services, compare the price the Qwest BOC charges each Section 272 affiliate to the stated price in the publicly-filed agreements or statements and document any differences in the report.
10. Inquire and obtain details as to whether any part of the Qwest BOC's Official Services network was transferred or sold to a Section 272 affiliate at any time. In addition to the requirements for Procedure 8, for any transfer or sale of assets on or after the date the merger of Qwest and U S WEST on July 1, 2000, inquire and obtain details as to how the Qwest BOC made an equal opportunity available to unaffiliated entities to obtain ownership of the facilities. Describe how and upon what basis the Qwest BOC decided to transfer/sell the facilities to a Section 272 affiliate instead of an unaffiliated entity. Disclose all of the above facts in the report.

Procedures for Nondiscrimination Requirements

OBJECTIVE VII. Determine whether or not the Bell operating company has discriminated between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards.

STANDARDS

The FCC in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended, establishes some non-discriminatory rules and regulations. These rules and regulations do not permit a Bell operating company (BOC) to discriminate in the following manner:

- by giving preference to a Section 272 affiliate's equipment in the procurement process. (See First Report and Order, para. 16)
- in awarding contracts for telecommunications equipment directly to their affiliate in a manner that violates Section 273(e)(1) or 273(e)(2). (See First Report and Order, para. 234)
- by failing to provide advance information about network changes to its competitors. (See First Report and Order, para. 16)
- by not offering third parties the same goods, services, facilities and information (excludes customer proprietary network information (CPNI) and joint marketing) that it provides to its Section 272 affiliate at the same rates, terms, and conditions. (See First Report and Order, para. 202 and 218)

NOTES:

- (i) BOCs are not required under the nondiscrimination rules and regulations to provide to third parties Customer Proprietary Network Information (CPNI) that is shared with affiliates (see *Second Report and Order*, CC Docket No. 96-115, Released February 26, 1998, para. 169). The provision of "information" referenced in the nondiscriminatory rules and regulations excludes CPNI. CPNI is defined in Section 222(f)(1) of the Act and includes information that is personal to customers as well as commercially valuable to carriers, such as to whom, where and when a customer places a call, as well as the types of service offerings to which the customer subscribes and the extent the service is used.

- (ii) BOCs are allowed to jointly market and sell affiliate-provided interLATA services without offering comparable joint marketing opportunities to other providers of interLATA services (see Section 272(g)(2) of the Act, and CC Docket No. 96-149, First Report and Order, Paragraphs 291-292). However, if BOCs market or sell their telephone exchange services through joint marketing conducted by the Section 272 affiliate, then the BOCs must also permit third parties to market and sell its telephone exchange services (see Section 272(g)(1) of the Act).
- in establishing or adopting any standards that favor its Section 272 affiliate(s) over third parties. (See First Report and Order, para. 208 and 229)
- in developing new services solely for its Section 272 affiliate(s). (See First Report and Order, para. 210)
- in purposely delaying the implementation of an innovative new service by denying a competitor's reasonable request for interstate exchange access until its Section 272 affiliate was ready to provide competing service. (See First Report and Order, para. 211)
- in marketing its affiliate's interLATA services to inbound callers without informing them of their right to select the interLATA carrier of their choice. (See First Report and Order, para. 292)

NOTE:

A BOC's obligation to inform callers of their long distance choices is limited to customers who order *new* local exchange *service*. A caller orders "new service" when the customer either receives service from the BOC for the first time, or moves to another location within the BOC's in-region territory. (See *In the Matter of AT&T Corp., Complainant, v. New York Telephone Company, d/b/a Bell Atlantic – New York, Defendant*, Memorandum Opinion and Order, File No. EB-00-MD-011; FCC 00-362; at ¶¶ 13-15.)

In addition, a Section 272 affiliate may not market or sell information services and BOC telephone exchange services together, unless the BOC permits other information service providers to market and sell telephone exchange services. (See First Report and Order, para. 287)

PROCEDURES

1. Obtain and inspect the Qwest BOC's procurement awards to each Section 272 affiliate during the audit test period, January 2, 2003 through September 30, 2003, and inspect bids submitted by each Section 272 affiliate and third party, note terms, and discuss with Qwest BOC representatives how the selection was made and disclose in the report. Compare this practice with the Qwest BOC written procurement procedures and note any differences. Disclose in the report all instances of procurement awards given to the Section 272 affiliates where the terms of bids submitted by third parties were more favorable than those submitted by the Section 272 affiliates. Disclose in the report all differences between the terms of bids submitted by the Section 272 affiliates and the terms of bids submitted by third parties.
2. Obtain a list of all goods (including software), services, facilities, and customer network services information, excluding CPNI as defined in Section 222(f)(1) of the Act, and exchange access services and facilities inspected in Objective IX, made available at any time during the engagement period to each Section 272 affiliate by the Qwest BOC. For a statistically valid sample of items from this list, inquire and obtain copies of the media used by the Qwest BOC to inform unaffiliated entities of the availability of the same goods, services, facilities, and information at the same price, and on the same terms and conditions. Disclose in the report the results of this procedure.
3. Obtain a list from the Qwest BOC of all unaffiliated entities who have purchased the same goods, as the Section 272 affiliates, (including software), services, facilities, and customer network services information (excludes CPNI) from the Qwest BOC, (except for services provided under affiliate agreements, exchange access services and interLATA services that are tested in Objectives V&VI, IX and XI, respectively) during the audit test period, January 2, 2003 through September 30, 2003. If any, describe what goods, services, facilities, and customer network services information were purchased and the extent of purchases made.
 - a. For the list of unaffiliated entities obtained above, obtain a list of billed items by entity. Select a statistically valid sample of billed items for the same goods (including software), services, facilities, and customer network services information (excludes CPNI), and excluding local exchange services, that were purchased by the Section 272 affiliates. For the sample, compare the rates, terms, and conditions of each sampled item to the rates, terms, and conditions of the items purchased by each Section 272 affiliate. Note any differences and disclose in the report. For the sampled items, document the amount each Section 272 affiliate was billed and the amount each Section 272 paid for the same items purchased from the Qwest BOC, and disclose any differences in the report.

- b. For local exchange services, compile a list of services billed to the Section 272 affiliates by Universal Service Order Code (USOC) in one month, randomly selected, including the rates billed by USOC, by state. Select a statistical sample of USOCs billed in the selected month, and compare the rates charged per USOC selected to the applicable tariff rate. Note any differences and disclose in the report. From the sampled items, compile a list of invoices on which the sampled items appeared. From the list of invoices, randomly select 25 invoices and document the amount each 272 affiliate was billed and the amount paid, and disclose differences in the report.
4. Document and disclose in the report how the Qwest BOC disseminates information about network changes, the establishment or adoption of new network standards, and the availability of new network services to each Section 272 affiliate and to unaffiliated entities. Note any differences in the report.
5. At the call centers observed in procedure 6 below, obtain and inspect scripts that Qwest BOC's customer service representatives recite to new customers calling, or visiting customer service centers, to establish new local telephone service or to move an existing local telephone service to another location within the Qwest BOC in-region territory. If these scripts contain language to attempt to sell interLATA services, note and disclose in the report whether these scripts inform the consumers that there are other providers of interLATA services and that these providers, along with the interLATA service affiliates, are identified to the consumers. In addition, obtain and inspect the written content of the Qwest BOC website for on-line ordering of new service or to move an existing local telephone service; note and disclose in the report whether the consumers are informed that there are other providers of interLATA services and that these providers, along with the interLATA service affiliate, are identified to the consumers.
6. Obtain a complete listing, as of the end of the Audit Test Period, of all Qwest BOC call centers.
 - a. From the listing, compile a list of Qwest BOC call centers responding to inbound callers requesting to establish new local telephone service or to move an existing local telephone service to another location within the BOC in-region territory. From this listing, identify and group each call center by type of customer, i.e., Consumer or Business (both small business and large business). If the number of total call centers is less than ten (10), visit all call centers and listen in to 100 calls in total (equally divided among all call centers) in which the customer service representatives attempt to market the Section 272 affiliate's interLATA service to callers requesting to establish new local telephone service or to move an existing local telephone service. If the number of call centers is greater than ten, use a random number generator, and select ten consumer and business call centers

making sure a foreign language call center is included and listen in to an average of 10 calls at each center (100 in total) in which the customer service representatives attempt to market the Section 272 affiliate's interLATA service to callers requesting to establish new local telephone service or to move an existing local telephone service. Labor union concurrence may be needed for this procedure. Note messages conveyed while listening in, including clarity of message delivered. Note and disclose in the report any instances where the customer service representative steered the caller to obtain the interLATA services of the Section 272 affiliate, did not inform the caller of other providers of interLATA services, or did not inform the caller of his or her right to select the InterLATA services provider.

- b. From the listing, compile a list of call centers that might incidentally respond to inbound callers requesting to establish new local telephone service or to move an existing local telephone service (such as sales and service centers that usually receive customer inquiries from existing customers). Using a random number generator, select three such Consumer call centers and two Business call centers, and listen in to 20 calls per center. Labor union concurrence may be needed for this procedure. If any customer requests to establish new local telephone service or to move an existing local telephone service, the practitioner should contact the Oversight Team before proceeding.
- c. For Consumer on-line ordering of long distance service, from the Internet, access the on-line ordering site. Walk through the steps a customer must take to order long distance service from the Section 272 affiliates. In particular, observe if the customer is informed of the right to select the interLATA services provider of his/her choice, and of the existence and/or list of other interLATA service providers. Describe in the audit report what the on-line ordering steps are, and whether the process informs the customer of his or her right to choose any interLATA services provider and provides the customer a list of such choices. Perform the same procedures for Business customers, if applicable.

- 7. Obtain a listing of all inbound call centers in which representatives of third-party contractors of the Qwest BOC respond or might incidentally respond to customers requesting to establish new local telephone service or to move existing local telephone service. In consultation with the JOT, select four call centers. Listen in to 25 calls per call center. If any customer requests to establish new local telephone service or to move an existing local telephone service, the practitioner should contact the Oversight Team before proceeding.
- 8. Identify the controls utilized by Qwest BOCs and the third party contractors hired for inbound telemarketing to assure compliance by Qwest BOCs with Section 272. Compare

Qwest BOC controls with third party contractor controls and document differences in the audit report. Describe all controls in the report.

9. Obtain and review each of the contracts between Qwest BOCs and third party contractors that provide inbound telemarketing. Document in the audit report all controls contained in the contracts relating to Section 272.

OBJECTIVE VIII. Determine whether or not the Bell operating company and an affiliate subject to Section 251(c) of the Act have fulfilled requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or its affiliates.

STANDARDS

Although the FCC in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended, reached various conclusions, a further proceeding in this matter, currently underway, will provide the implementing rules and regulations. We will revise these procedures to conform to the new rules and regulations when available so long as the new rules are adopted by the FCC, applicable to Section 272 relationships and to the extent in effect during the 2001/2002 engagement period. The conclusions reached by the Commission provide that,

- for equivalent requests the response time a BOC provides to unaffiliated entities should be no greater than the response time it provides to itself or its affiliate. (See First Report and Order, para. 240)
- a BOC must make available to unaffiliated entities information regarding the service intervals in which the BOC provides service to itself or its affiliates. (See First Report and Order, para. 242)
- a BOC must not provide a lower quality service to competing interLATA service providers than the service it provides to its Section 272 affiliate at a given price. (See First Report and Order, para. 16)

In its Section 271 applications, QCII made commitments regarding compliance with Section 272(e)(1) of the Act. This included the commitment to provide the performance monitoring that will assist in confirmation of nondiscriminatory performance in Qwest Corporation's dealings with its 272 affiliates. If the Commission adopts reporting requirements, the Qwest BOC will fully comply.

PROCEDURES

1. Document in the working papers the practices and processes the Qwest BOC has in place to fulfill requests for telephone exchange service and exchange access service for the Section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates in each state where the Qwest BOC has been authorized to provide in-region interLATA services. If the Section 272 affiliates, or the BOC or other BOC affiliates, are treated differently than nonaffiliates, note and describe all differences in the report. Describe in the report the Qwest BOC's internal controls and procedures designed to implement its duty to provide nondiscriminatory service.
2. For each state where the Qwest BOC has been authorized to provide in-region interLATA services, document in the working papers the processes and procedures followed by the Qwest BOC to provide information regarding the availability of facilities used in the provision of special access service to its Section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates. Note any differences in the report. Inquire of management whether any employees of the Section 272 affiliates or other affiliates have access to, or have obtained, information regarding special access facilities availability in a manner different from the manner made available to nonaffiliates (e.g., direct calls, placed prior to ordering, from the Section 272 affiliates or BOC account managers to employees who may have facilities availability information). Disclose in the report any such instances.
3. For each state where the Qwest BOC has been authorized to provide in-region interLATA services, obtain written methodology that the Qwest BOC follows to document time intervals for processing orders (for initial installation requests, subsequent requests for improvement, upgrades or modifications of service, or repair and maintenance), provisioning of service, and performing repair and maintenance services for the Section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates for the services described in Procedure 4, below. Briefly describe this methodology in the report. If the company does not have any written procedures inquire and document why in the report.
4. For each state where Qwest has been authorized to provide in-region interLATA services, obtain, and include as an attachment to the report, performance data maintained by the Qwest BOC/ILEC during the engagement period, by month, indicating time intervals for processing orders (for initial installation requests, subsequent requests for improvement, upgrades or modifications of service, or repair and maintenance), provisioning of service, and performing repair and maintenance services for the Section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates, as separate groups, for the following services:
 - Telephone exchange service, if any of the separate groups resells local service or intraLATA toll service.

- Exchange access services for DSO, DS1, DS3, feature group D, and OCn, as individual groups; for the BOC and other BOC affiliate group, exchange access measurements should cover services provided to end users on a retail basis, and services provided to affiliates on a wholesale basis.
- Unbundled network elements, if any of the separate groups purchases unbundled network elements.
- Presubscribed Interexchange Carrier (PIC) change orders for intraLATA toll services and interLATA services.

The table below should be used as guidance for the information to be included in the metrics. If no performance measures are applicable for both the “Section 272 affiliates” and the “BOC and other BOC affiliates” groups, performance metrics for non-affiliates are not required. For each group (Section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates) and each service category (telephone exchange service, exchange access service, UNEs, and PIC change orders) combination in the table below for which Qwest BOC/ILEC makes a claim of “not applicable”, the practitioner must confirm independently that there are no such measurements to be reported, or get a representation letter from management as to why such measurements do not need to be reported in this engagement.

SUMMARY OF COMPANY TYPE AND SERVICE TYPES FOR PERFORMANCE MEASUREMENT REPORTING

Company Type	Telephone Exchange Service	Exchange Access Service (ASRs Only)	UNEs	PIC Change Orders
272 Affiliate	Included - if the 272 affiliate resells local service or intraLATA toll service	Included	Included if applicable	Included
Other Affiliates, Including the BOC(s)	Included - to measure services provided on a Resale basis	Included - to measure services provided to end users on a Retail basis, and Wholesale services provided to affiliates	Included if applicable	Included if applicable
Non-Affiliates (includes all entities purchasing services for resale or on a wholesale basis)	Included - to measure services provided on a Resale basis	Included	Included if applicable	Included

The performance measures should include the requested performance data by month for each state beginning with the first whole month of data following Section 271 approval for that state and ending on December 31, 2003. Where appropriate, the performance measures data shall reflect the standard deviation, as well as mean. For purposes of inclusion in the audit report, the practitioner should obtain all restatements of any performance data, and include in the report the latest restatement.

For each of the above service categories Qwest has committed to maintain in each Section 271 application measurements to prove compliance with these nondiscriminatory requirements. The measurements are as follows:

- a. Installation Commitments Met – Measures the percentage of orders for which the scheduled due date is met within the reporting period. The formula for this measurement is: Total orders completed in the reporting period on or before the Applicable Due Date divided by total orders completed in the reporting period times 100. (Include number of installation orders.)
- b. Average Installation Interval – Measures the average interval between the application

date and the completion date for service orders accepted and implemented. The formula for this measurement is: Order completion Date minus Order Application Date less the time interval between the Original Due Date and the Applicable Due Date less the time intervals associated with customer-initiated due date changes or delays occurring after the Applicable Due Date divided by the total number of orders completed in the reporting period. The Applicable Due Date is the Original Due Date or, if changed or delayed by the customer, the most recently revised due date. (Include number of service orders.)

- c. Firm Order Confirmations (FOC) On Time – Measures the percentage of Firm Order Confirmations (FOCs) that are provided within the intervals as specified in the Standard Interval Guide (<http://www.qwest.com/wholesale/guides/sig/index.html>). The formula for this measurement is: Count of ASRs for which the original FOCs (FOC Notification Date & Time) minus application date & time is within the intervals specified divided by total number of original FOC Notifications transmitted in the reporting period times 100. (Include number of ASRs.)
- d. % PIC Change Requests Met (processed within 24 hours)– Measures the percentage of IXC initiated PIC change requests completed within 24 hours. The formula for this measurement is Total IXC initiated PIC change requests, received before 10 P.M. Mountain Time and completed by 10 P.M. Mountain Time on the next business day, divided by the total number of IXC initiated PIC change requests completed in the measurement period times 100. (Include number of IXC initiated PIC change requests.)
- e. All Troubles Cleared within 4 hours – Measures the percentage of trouble reports that are cleared within 4 hours of receipt of trouble reports. The formula for this measurement is: Total trouble reports closed in the reporting period that are cleared within 4 hours divided by total trouble reports closed in the reporting period times 100. (Include number of trouble reports.)
- f. Mean Time to Restore – Measures the time actually taken to clear trouble reports from date and time of receipt to date and time trouble is cleared. The formula for this measurement is: Date and time trouble report cleared minus date and time trouble report opened divided by total number of trouble reports closed in the reporting period. (Include number of trouble reports.)
- g. Trouble Rate – Measures the overall rate of trouble reports compared to the number of lines in service. The formula for the measurement is: Total number of trouble reports closed in the reporting period divided by total number of circuits in service in the reporting period times 100. (Include number of trouble reports.)

Note and disclose in the report differences in time in fulfilling each type of request for the

same services from the Section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates. Elicit explanations from Qwest where fulfillment of requests from nonaffiliates took longer than for their own Section 272 affiliates. Provide in the report a linear graph for each state, for each performance measure, for each service, over the entire engagement period, depicting the performance for the Section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates.

If the requested performance data is not available in the manner described in this procedure (by month, by company type, by services) for the entire engagement period inquire and disclose in the audit report the period and description of the PMs that are lacking and the reasons why.

5. Using the reported data (i.e., by state, by service, by performance measure, by month) in Procedure 4 above, randomly select three months during the engagement period for Colorado, Idaho, Iowa, Montana, Nebraska, North Dakota, Utah, Washington and Wyoming, two months for New Mexico, Oregon, and South Dakota, and one month for Minnesota and replicate the results of all PMs including submeasures using their respective underlying data. Compare the results as recomputed with the output data that is tracked and maintained by the Qwest BOC that was obtained in Procedure 4 above and document any differences in the report.
6. Determine by inquiry, first, and then by inspection, how and where the Qwest BOC makes available to unaffiliated entities information regarding achieved service intervals in providing any service to the Section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates. Document the results in the report.

OBJECTIVE IX. Determine whether or not the Bell operating company and an affiliate subject to Section 251(c) of the Act have made available facilities, services, or information concerning its provision of exchange access to other providers of interLATA services on the same terms and conditions as it has to its affiliate required under Section 272 that operates in the same market.

STANDARDS

The FCC in CC Docket No 96-149, Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended, indicates that a BOC may not discriminate in favor of its Section 272 affiliate in the following manner:

- by providing exchange access services to competing interLATA service providers at a higher rate than the rate offered to its Section 272 affiliate. (See First Report and Order, para. 16)
- by not making available facilities and services to others on the same terms, conditions and prices that it provides to its Section 272 affiliate. (See First Report and Order, para. 316)

PROCEDURES: This objective is closely related to Objective XI which contains procedures for the provision by the BOC of interLATA facilities and services. Therefore, these procedures may be performed in conjunction with the procedures for Objective XI.

1. Obtain list of exchange access services and facilities with their related rates offered to each Section 272 affiliate and inspect to determine whether the Qwest BOC makes these services and facilities available at the same rates and on the same terms and conditions to all carriers. For this purpose, inspect brochures, advertisements of any kind, bill inserts, correspondence, or any other media used to inform carriers of the availability of these services. Using a statistically valid sample of the informational media identified above, compare rates, terms, and conditions offered to each Section 272 affiliate with those offered to unaffiliated carriers. Note in the report all exceptions.
2. For the month of December 2003 obtain a listing of invoices for exchange access services and facilities, by BAN rendered by the Qwest BOC to the Section 272 affiliates and other interexchange carriers (IXCs). Using a statistically valid sample of billed items rendered to the Section 272 affiliates, inspect underlying details of invoices and compare rates charged, and terms and conditions applied to each Section 272 affiliate with those charged and applied to a judgmentally selected number of IXCs for the same services and note any differences. If differences are noted, pursue the matter further through inquiry of appropriate personnel and note why they occurred and disclose in the report.

3. Using the sampled invoices obtained in Procedure 2 above, trace the amount invoiced for exchange access services to each Section 272 affiliate and determine whether the amount invoiced was the amount recorded as revenue by the Qwest BOC and paid by each Section 272 affiliate. For this purpose, identify and inspect method of payment such as cancelled checks, wire transfers, and, if needed, summaries of invoiced amounts corresponding to the amount paid. Note any differences and inquire as to why they occurred and disclose in the report.

OBJECTIVE X. Determine whether or not the Bell operating company and an affiliate subject to Section 251(c) of the Act have charged its separate affiliate under Section 272, or imputed to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service.

STANDARDS

The FCC has issued rules and regulations in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended. These rules require that,

- A BOC may not discriminate in favor of its Section 272 affiliate by providing exchange access services to competing interLATA service providers at a higher rate than the rate offered to its Section 272 affiliate (See First Report and Order, para. 16). This requirement is met,
 - If the affiliate purchases exchange service and exchange access service at tariffed rates. (See First Report and Order, para. 256)
 - If the affiliate acquires services or unbundled elements from a BOC at prices that are available on a nondiscriminatory basis under Section 251. (See First Report and Order, para. 256)
 - If the BOC files with the State Commission a statement of generally available terms pursuant to Section 271(c)(1)(B) which would include prices that are available on a nondiscriminatory basis in a manner similar to tariffing, and a BOC's Section 272 affiliate obtains access or interconnection at a price set forth in the statement. (See First Report and Order, para. 256)
 - If a BOC makes volume and term discounts available on a nondiscriminatory basis to all unaffiliated interexchange carriers. (See First Report and Order, para. 257)
- BOCs are required to charge nondiscriminatory prices, and to allocate properly the costs of exchange access according to the affiliate transactions and joint cost rules. (See First Report and Order, para. 258)
- For integrated operations (for operations performed within the company and not under a separate affiliate), a BOC must impute to itself an amount for access to its telephone exchange service and exchange access that represents tariffed rates (See First Report and Order, para. 256). This tariffed rate must be the highest rate paid for access by

unaffiliated carriers. The BOC may consider the comparability of the service provided. (See CC Docket No. 96-150 Report and Order, para. 87)

PROCEDURES

1. Obtain a list of interLATA services offered by the Qwest BOC and discuss list with appropriate Qwest BOC employees to determine whether the list is comprehensive. Compare services appearing on the list with interLATA services disclosed in the Qwest BOC's Cost Allocation Manual (CAM) and note any differences in the report. Compare the nonregulated interLATA services listed in the Qwest BOC's CAM with those defined as incidental in Section 271(g) of the Act and those interLATA services allowed under FCC order (for example E911) and note any differences and disclose in the report.
2. From the list of services obtained in Procedure 1 above, by using a statistically valid sample of interLATA services offered by the Qwest BOC and not through an affiliate, determine whether the Qwest BOC is imputing (charging) to itself an amount for access, switching, and transport. Obtain usage details and tariff rates for each of the above elements. Match a statistically valid sample of rates used in calculations with the tariff rates or those rates charged to a judgmentally selected sample of other interexchange carriers (IXCs) and note any differences in the report. Trace amount to the journal entry and to the general ledger of the Qwest BOC. The entry should be a debit to nonregulated operating revenues (decrease) and a credit to regulated revenues (increase). If the process followed by the Qwest BOC is different from the one described above, disclose in the report.
3. For each of the following categories of services, viz., exchange access services, local exchange services, and unbundled network elements, provided by the Qwest BOC to any Section 272 affiliate during the engagement period, document the total amount the affiliate has recorded as expenses for those services in its books and reconcile with the amount the affiliate paid to the Qwest BOC and the amount of revenue reflected in the Qwest BOC's books as revenue for those services. Disclose differences, if any, in the report.

OBJECTIVE XI. Determine whether or not the Bell operating company and an affiliate subject to Section 251(c) of the Act have provided any interLATA facilities or services to its interLATA affiliate and made available such services or facilities to all carriers at the same rates and on the same terms and conditions, and allocated the associated costs appropriately.

STANDARDS

Valuation and recording procedures for sales or transfers of any interLATA or intraLATA facilities to each Section 272 affiliate, leasing of any unbundled network elements, or provision of any service by the BOC to each Section 272 affiliate are covered in Objectives V and VI of this program, under the affiliate transactions rules.

BOC network services and unbundled network elements made available under Section 251 to each Section 272 affiliate must also be made available at the same price to unaffiliated companies. (See CC Docket No. 96-149, First Report and Order, para. 256)

PROCEDURES: This objective is closely related to Objective IX which contains procedures for the provision by the BOC of exchange access services. Therefore, these procedures may be performed in conjunction with the procedures for Objective IX.

1. Obtain a list from the Qwest BOC of interLATA services and facilities with their related rates offered by the Qwest BOC to each Section 272 affiliate to determine whether the Qwest BOC makes these services and facilities available at the same rates, terms, and conditions to all carriers. For this purpose, also obtain and inspect brochures, advertisements of any kind, bill inserts, correspondence, or any other media used to inform carriers of the availability of these services.

Compare the list obtained from the Qwest BOC to the services found in the obtained information media and note any differences in the audit report. In addition, compare the list obtained from the Qwest BOC to the list of interLATA services obtained in Objective V/VI, Procedure 4, and to the list of interLATA services obtained in Objective X, Procedure 1 (after comparison to the CAM). Document in the audit report any instance where services were found in either the list of services from Objective V/VI, Procedure 4, the list of services from Objective X, Procedure 1, or in advertising media that were not reported by the Qwest BOC in response to this procedure. Also document in the audit report any interLATA services that are offered to any Section 272 affiliate, but which are not covered by any written agreements.

2. Using the information media obtained in Procedure 1, select a statistically valid sample of such media. Compare the rates, terms, and conditions offered each Section 272 affiliate

with the rates, terms, and conditions offered unaffiliated carriers. Disclose any differences in the audit report.

3. Obtain an invoice for interLATA services and facilities for one month (to be determined by the Oversight Team after discussing with QCII) rendered by the Qwest BOC to the Section 272 affiliate and a judgmentally selected sample of other interexchange carriers (IXCs) that receive these services from the Qwest BOC. Using a statistically valid sample of billed items, inspect underlying details of invoice and compare rates charged, and terms and conditions applied to each Section 272 affiliate with those charged and applied to other IXCs for the same services and note any differences. If differences are noted, pursue the matter further through inquiry of appropriate personnel and note why they occurred and disclose in the report.
4. Using the invoices obtained in Procedure 2 above, trace the amount invoiced to each Section 272 affiliate for interLATA facilities and services and determine whether the amount invoiced was the amount recorded as revenue by the Qwest BOC and paid by each Section 272 affiliate. For this purpose, identify and inspect method of payment such as cancelled checks, wire transfers, and, if needed, summaries of invoiced amounts corresponding to the amount paid. Note any differences and inquire as to why they occurred and disclose in the report.

Procedures for Subsequent Events

1. Inquire of management whether processes and procedures for either the Qwest BOC or any Section 272 affiliate have changed since the time of execution of these procedures and the end of the engagement period. If so, identify those changes and re-perform the related procedures to determine continued compliance with those requirements. Disclose in the report changes and results of the procedures re-performed.
2. Inquire of and obtain written representation from management of both the Qwest BOC and all Section 272 affiliates as to whether they are aware of any events subsequent to the engagement period, but prior to the issuance of the report, that may affect compliance with any of the objectives described in this document. Disclose in the report any such event.

APPENDIX C

Comments from Qwest Communications
International, Inc.

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John L. Munn
Corporate Counsel
Law Department

June 1, 2004

Via Hand Delivery

Mr. Michael G. Stoltz
Ernst & Young, LLP
370 17th Street, Suite 3300
Denver, CO 80202

Via E-Mail and U.S. Mail

Ms. Sherry Herauf
Federal Communications Commission
445 12th Street, SW, Room 6-B411
Washington, DC 20554

Mr. Joe Paretti
Federal Communications Commission
6 Durham Lane
Suffern, New York 10901

Re: Qwest's Comments to Section 272 Agreed-Upon Procedures Engagement

Dear Mr. Stoltz, Ms. Herauf, and Mr. Paretti:

Qwest submits its attached comments to Ernst & Young's ("E&Y") draft report related to the rules and regulations regarding Section 272 of the Telecommunications Act of 1996 ("the Act"). Pursuant to 47 C.F.R. §53.213(b), Qwest is sending its comments to E&Y, with a copy to the Joint Federal/State Oversight Team ("JOT"), to be included in the Final Report.

Qwest believes that the results of the Agreed-Upon Procedures and supplemental evidence attached to Qwest's comments provide confirmation that Qwest is in overall compliance with the rules and regulations associated with Section 272. Qwest has worked diligently to create effective policies and procedures and to implement internal controls designed to ensure its compliance with all such rules and regulations. Due to the nature of an agreed-upon procedures engagement, the practitioner has performed the agreed procedures and has reported all results, regardless of materiality. Qwest's comments provide additional information to specific issues where explanation or clarification is needed.

Sincerely,

A handwritten signature in black ink that reads "John Munn". The signature is written in a cursive style and is followed by a horizontal line.

John Munn

JLM

Enclosure

Section 272 Audit Report	Qwest Response
<p><u>Objective I: Procedure 5:</u></p> <p>5. Obtained the balance sheet of QLDC as of the end of the Audit Test Period. Noted that QLDC owned no fixed assets as of September 30, 2003. Obtained the trial balance of QCC as of September 30, 2003 and obtained a detailed listing of all fixed assets including capitalized software, capitalized leases and a detailed listing of all fixed assets covered in the operating leases between QCC and Qwest N. Limited Partnership (“QNLP”), (collectively “fixed asset listings”). Obtained the balance sheet of QCC as of October 31, 2003. QCC represented that the balance sheet for QCC was not available until October 31, 2003 due to issues resolved by the QCII 2001 and 2002 financial statement restatements that were released in October 2003.</p> <p>a) Noted that the fixed asset accounts listed on the QCC trial balance as of September 30, 2003 totaled \$1,055,086,948. Reconciled this amount based on data provided by Qwest, to the total of the fixed asset listings of \$8,101,052,928, as of September 30, 2003. The reconciliation is shown on Attachment A-2. The reconciling items are as follows: * * * * *</p> <ul style="list-style-type: none"> ▪ As a result of the QCII financial statement restatements for 2001 and 2002, QCC recorded a total credit to fixed assets for restatements and asset impairment of \$6,549,000,000. This adjustment was 	<p>QCC is continuing to update the fixed asset listings to reflect restatement and impairment credits reflected in the (September 30, 2003) trial balance and will complete the process during the third quarter. The impairment adjustments were based on analysis of asset groups and not done by specific assets. As of June 1, 2004, Qwest estimates that the process is 50% complete.</p>

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<p>reflected in the Trial Balance but has not yet been recorded in the fixed asset listings. QCC represented that the restatement and impairment adjustment impacted all fixed asset subaccounts.</p>	
<p><u>Objective II: Procedure 2:</u></p> <ul style="list-style-type: none"> ▪ The second sub-agreement of this IRU relates to additional monthly recurring charges invoiced by the lessor to QCC. Noted that during the Audit Test Period the monthly recurring charges invoiced by the lessor did not agree to the amounts expensed by QCC. The total amount invoiced to QCC and paid by QCC was \$614,675 compared to the amount QCC recorded as expense of \$848,600. Also noted a difference of \$3,190 between the monthly recurring charges invoiced to QCC in September 2003 and the monthly recurring charges listed in the lease agreement. 	<ul style="list-style-type: none"> • The difference between the amount invoiced and the amount recorded is \$233,925. Of that amount, \$192,000 relates to an over accrual for this second sub-agreement. However, Qwest evaluates accruals in the aggregate. The \$233,925 is not material to either the QCC Total Operating Expense for 2003 of \$3.9 billion or to the total QCC lease expense for 2003 of \$6.3 million. Therefore, the transaction at issue did not impact QCC's overall compliance with GAAP because the amount is not material.
<p><u>Objective V/VI: Procedure 5:</u></p> <p>5. Using the sample of 80 agreements selected in Procedure 4 above, documented in the working papers the dates when the agreements were signed and/or when the services were first rendered (whichever took place</p>	<p>Many of the late postings that E&Y found in its testing under this procedure are postings that Qwest had already found and independently disclosed. Therefore, many of the late postings contained in Attachment A-4 (E&Y's testing) are also included in Attachment A-5 (Qwest's</p>

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<p>first) and the dates of posting on the Internet. Noted that 34 of the 80 agreements tested were posted to the Qwest Internet site more than ten days after their effective date. Attachment A-4 lists the 34 affiliate agreements that were posted to the Internet more than ten days after their effective date. Requested the reasons as to why these late postings occurred and included the responses received for each late posting in Attachment A-4.</p> <p>In addition to the affiliate agreements tested above, Qwest disclosed additional affiliate agreements and/or amendments that were posted to the Internet more than ten days after their effective date. The listing of late postings provided by Qwest is shown at Attachment A-5.</p>	<p>disclosure). Counting the postings in both of these attachments would result in double counting for some postings. In addition, all findings included in Attachment A-3 (services provided without a written agreement in place) are also included in Attachments A-4 and/or A-5. For example, Attachment A-3 contains nine services and in six cases the same services appear in all three attachments and the remaining three appear in two attachments. Therefore, the postings contained in Attachment A-3 are duplicated in one or both of Attachments A-4 and A-5.</p> <p>The total number of discrete postings contained in Attachments A-3, A-4 and A-5 is 52. There were a total of 458 Internet section 272 transactions/postings from 2001 through February 2004. The 52 late postings equates to an 11.35% error rate during this time period.</p> <p>Attached to Qwest's Comments as Attachment 1 is a copy of a matrix that identifies each of the 52 discrete postings contained in Attachments A-3, A-4 and A-5. It does not provide new substantive information. It does identify whether the posting transaction appeared in Attachments A-3, A-4 and/or A-5. It also organizes the postings in two groups: the first 25 postings that were made prior to the effective date (January 2, 2003) of Qwest's first section 271 authorization order and the next 27 postings that were made after section 271 authorization.</p> <p>Qwest has further strengthened its controls related to the posting requirement since the E&Y testing. These</p>

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	<p>additional controls include:</p> <ol style="list-style-type: none"> 1. On May 11, 2004, Qwest completed additional training of the Business Unit Affiliate Managers (BUAMs) emphasizing the 10 day posting requirement. BUAMs are responsible for documenting the transactions between the Qwest BOC and its section 272 affiliates. All BUAMs have completed the additional training and have signed acknowledgements. 2. Qwest has sent an all employee memo from the Vice President of Corporate Compliance addressing section 272 compliance with particular attention and focus on the 10 day posting requirement. 3. The methods and procedures to handle affiliate agreements are being refined and strengthened with the design of increasing compliance with regulatory requirements, including the section 272 posting requirements. These strengthened methods and procedures are scheduled to be placed on Qwest's intranet by the end of June 2004. 4. The Qwest Section 272 Compliance resource document will be posted on the Qwest intranet by the end of June 2004. This document is a comprehensive discussion of section 272 requirements and will link to the process flows for requesting section 272 services to help ensure timely posting of agreements. 5. A supplemental training package is being posted

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	<p>on the Qwest intranet which references the section 272 posting requirements and links to the process flows for requesting section 272 services. Additional training sessions with key personnel that address the section 272 posting requirements are also occurring beginning in June 2004.</p> <p>Additionally, not all of the 52 identified postings are inconsistent with the Commission's rules interpreting Section 272. The identified postings occurred over an extended period of time. Specifically, 25 of these 52 transactions were posted to the Qwest section 272 Internet site before Qwest obtained section 271 approval from the Commission for its first state. Consistent with the Commission's approach to all BOC section 271 applications, the Commission's judgment about Qwest's compliance with section 272 is a predictive one. <i>Application by Qwest Communications International Inc. for Authorization to Provide In-Region, InterLATA Services in the States of Colorado, Idaho, Iowa, Montana, Nebraska, North Dakota, Utah, Washington and Wyoming</i>, WC Docket No. 02-314, Memorandum Opinion and Order, para. 397 (2002). The Commission indicated that it is its task is to determine whether Qwest's section 272 affiliate "will be complying with this requirement [section 272] on the date of authorization, and thereafter." <i>Id.</i> (emphasis added). Therefore, the Commission has confirmed that Qwest's section 272 compliance is measured from the date of section 271 authorization forward. Qwest also notes that as of June 11, 2004, the 10-day posting period was missed on 43 of</p>

Section 272 Audit Report	Qwest Response
	<p>the 52 postings identified in E&Y's draft report more than one year ago. The vast majority of the 52 postings identified have now been posted for over one year and not a single purchase request has been received by Qwest for any of these services or functions.</p>
<p><u>Objective V/VI: Procedure 7:</u></p> <p>7. Obtained a listing of all 958 services billed by month to the Qwest BOC by QCC during the Audit Test Period. * * * * *</p> <p>For 75 of the 100 bill records, including 3 of the 13 initial rate differences listed on Attachment A-6, noted that the Section 272 affiliate applied a discount of varying amounts (63 of the 75 bill records) or added a surcharge of \$0.05 (52 of the 75 bill records) to the billed amounts. This discount and surcharge was applied in addition to the basic rate charged and was not included in the affiliate agreements posted on the Qwest Internet site.</p>	<p>Qwest has amended the applicable task order to include discounts and surcharges which were not included in the previous task order. The amended task order was posted on April 13, 2004. The additional controls identified previously in the posting section addressing Objective V/VI, Procedure 5 also support and strengthen compliance in the pricing arena and this specific procedure as well.</p>
<p><u>Objective VII: Procedure 6:</u></p> <p>1. Obtained a complete listing as of the end of the Audit Test Period, of all Qwest BOC sales and support customer service call centers. From the listing, with Qwest's assistance, compiled a list of Qwest BOC call centers responding to inbound callers requesting to establish new local telephone service or to move an existing residential local telephone service within the BOC in-region territory. From this listing, identified and grouped each call center by type of customers:</p>	<p>Qwest's Sales organization has in place comprehensive compliance controls designed around call center scripting requirements for new and transfer orders. The Qwest controls in place for Consumer and Small Business Consultants at the time of E&Y's testing and continuing through the date of these comments include:</p> <ul style="list-style-type: none"> • Initial training is conducted upon hire for all Sales Consultants. The training includes Sales Ethics, long

Section 272 Audit Report	Qwest Response
<p>“Consumer” or “Business”. Determined that the Qwest BOC had a total of 12 call centers that routinely responded to calls for new or moved service (nine Consumer call centers and three Business call centers). Also determined that the Qwest BOC had 14 call centers (eight Consumer call centers and six Business call centers) that incidentally responded to calls for new or moved service.</p> <p>a. Using a random number generator, selected seven Consumer call centers and three Business call centers from the list of 12 call centers obtained above that routinely responded to requests for new or moved service. At each selected call center, attempted to listen in to at least 10 calls from callers requesting to establish new local telephone service or to move an existing local telephone service. Observed that most of the call centers selected received all types of customer service calls, including calls for new or moved service. Upon review of the calls observed, noted that in many calls for new or move service, the customer refused all long distance service before the customer service representative had the opportunity to market long distance service and, therefore, inform the customer of his right to choose long distance providers. Due to the low number of new or move calls in which the customer service representative was required to inform customers of their right to choose long</p>	<p>distance product, and 272 Corporate Compliance Training wherein Qwest’s 272 re-entry requirements are directly addressed. Each course contains an acknowledgement of understanding upon completion. Vendors employed by Qwest to sell long distance are required to complete and acknowledge Rules and Regulations Training which mirrors the training required of Qwest’s own Sales Consultants.</p> <ul style="list-style-type: none"> • The main order entry system used by Sales Consultants contains an automatic reminder of the mandatory section 272 scripting requirement. When a Sales Consultant reaches the task of entering a selection of long distance carrier on an order, an automatic pop-up appears with the text of the section 272 scripting required to be used on new and transfer orders. This information is also accessible through a prominent link in the ordering system. • Handouts are posted in public areas and/or distributed to each employee listing the approved 272 scripts and reminding employees of mandatory scripting requirements for new and transfer orders. • Periodic sales meetings are held with Sales Consultants by Product subject matter experts in which section 272 requirements are reviewed and discussed with reinforcement of the mandatory section 272 scripting requirements. • Sales coaches regularly observe consultants remotely

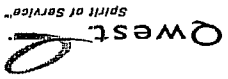
Section 272 Audit Report	Qwest Response
<p>distance providers, randomly selected one additional Consumer call center for observation. Listened in to a total of 935 calls at 11 call centers. Out of 935 calls observed, determined that in 114 calls that requested new or moved service, Qwest marketed long distance service and was required to inform the customer of their right to choose long distance providers. For the 114 calls, noted the following:</p> <p>* * * * *</p> <ul style="list-style-type: none"> ▪ For 19 calls, the customer service representative marketed Qwest long distance service but did not inform the customer of their right to choose a long distance provider. 	<p>as well as desk-side to assure compliance with 272 scripting requirements. Upon a noted deficiency, the coach re-trains and reviews the 272 scripting requirements.</p> <ul style="list-style-type: none"> • All scripts used by telemarketing vendors in sales are reviewed by Qwest Regulatory Compliance Representatives to assure proper 272 scripting on all new and transfer orders. <p>In addition, Qwest has further strengthened these controls for Consumer and Small Business after the testing conducted by E&Y was completed. Qwest has recently implemented the following additional controls</p> <ul style="list-style-type: none"> • Monitoring, tracking and reporting of Sales Consultants by the Quality Assurance group has been formalized and improved to include a disciplinary feedback loop. • Training, scripting, and sales methods of new packages which contain long distance as one of the components have been updated to reinforce 272 scripting requirements. <p><u>Consumer</u></p> <p>In addition to the changes listed above for both Consumer and Small Business call centers, Qwest has instituted the following additional controls to reinforce compliance on the consumer side which will go into effect during June:</p>

Section 272 Audit Report	Qwest Response
	<ul style="list-style-type: none"> • The Qwest Quality Assurance Team has recently been created for the Consumer Sales organization to monitor call quality including compliance with the section 272 scripting rules and other regulatory requirements. A random sample of ten New or Transfer observations per sales center will be measured each month. In the event of a compliance deficiency: • A Quality Assurance Process Analyst collects all compliance weekly in the form of a summary report which is sent to each call center's site director and/or Team Leader. The site director and Team Leader distributes appropriately to each coach to cover identified employees. • The Coach/Team Lead takes necessary action to resolve the issue, including contacting the customer to resolve any misinformation given. • The Coach/Team Lead will address the deficiency with the Sales Consultant in the following manner: <ol style="list-style-type: none"> 1) The first offense results in documentation of the violation and coverage with additional section 272 compliance scripting information. 2) The second offense will result in suspension pending further investigation with discipline to include dismissal except in unusual circumstances. • The Coach/Team Lead provides follow up on resolution to the Quality Assurance Process Analyst. • The Quality Assurance Process Analyst documents the

Section 272 Audit Report	Qwest Response
	<p>inconsistency with the section 272 requirements in the 272 Compliance Matrix and sends a weekly report to the Consumer Project Lead with a copy to Regulatory Compliance.</p> <ul style="list-style-type: none"> • A recurring newsletter issued by Regulatory Compliance to the Consumer Sales channel in the second quarter of this year reminds personnel of the mandatory requirement to follow section 272 scripting on new and transfer calls and provides the text of the required script. This reinforces compliance and serves as another reminder for employees. • Training has recently been conducted in each Consumer Sales center by Qwest Regulatory Compliance representatives that includes a review of the mandatory section 272 scripting. <p><u>Small Business Sales</u></p> <p>In addition to the controls listed above for both Consumer and Small Business, the Qwest Small Business Sales Group had the following additional controls in place at the time of E&Y's testing and continuing through the date of these comments:</p> <ul style="list-style-type: none"> • Random Remote Observers currently monitor compliance with the section 272 scripting rules and other regulatory requirements in the small business centers. A random sample of ten New or Transfer observations per call center will be measured each month. In the event of a compliance issue: <ul style="list-style-type: none"> • The Random Remote Observer will send an email to the Coach/Team Lead of the identified Sales

Section 272 Audit Report	Qwest Response
	<p>Consultant including a tracking number and description of the observed deficiency.</p> <ul style="list-style-type: none"> • The Coach/Team Lead will address the deficiency with the Sales Consultant in the following manner: <ol style="list-style-type: none"> 1. The first offense results in documentation of the violation and coverage with additional 272 compliance scripting information. 2. The second offense will result in suspension pending further investigation with discipline to include dismissal except in unusual circumstances <p><u>Updated Results</u></p> <p>The controls that Qwest has in place today are increasing Qwest's achieved compliance with the mandatory section 272 scripting requirements. The results for the first four months of 2004 for Consumer and Business are shown in Attachment 2 to Qwest's comments. Attachment 2 shows a significant improvement on the consumer side and continued outstanding performance on the business side. This outstanding performance includes 97% and 100% compliance rates for March and April, respectively, on the Consumer side.</p>

Issue #	From/To	Description of Service/Function	Effective Date	# Days Late	Date Posted	Name of Work Order/Task Order	Amend. or Original Agreement	Reason	E&Y Report		
									A-3	A-4	A-5
		Posting Issues discovered and corrected before FCC/271 Approval									
1	QCC to QC	Terms and agreement for QCC to QC billing	01/01/01	74	03/26/01	Services Agreement	Original	Services Agreement posted concurrent with date QCC was held out as a 272 affiliate. Qwest does not consider this a late posting.		#23	
2	QCC to QC	Billed back to Qwest merger, disclosed in 271 application process	07/01/00	478	11/01/01	Audio-Conferencing - Task Order	Amend.1	Note B--Confusion at merger of Qwest and US WEST as to who was providing the service--employee thought it was a 3rd party. Business operations review resulted in discovery and correction. Disclosed in 271 applications.	#3	#9	
3	QC to QCC	Service erroneously provided before posted	09/01/01	58	11/08/01	Billing and Collections - Other Contract	Original	Note A--This was identified and corrected prior to Section 271 approval in any state. Agreement was not signed and final until 10/30/01 but effective date was back dated to 9/1/01.	#4	#10	
4	QC to QCC	QNET access provided to QCC	07/01/00	535	12/28/01	Information Technologies Services - Work Order	Amend.2 & 3	Internal Communications employee networks combined at merger before QCC was established as a 272 affiliate.			#2
5	QC to QCC	QC provided USF reporting functions to QCC	10/01/01	98	01/17/02	Finance Services - Work Order	Amend.9	See Note A - Responsible party thought functions were already provided under existing work order.			#8
6	QCC to QC	Qwestnet access provided to QC	07/01/00	583	02/14/02	Information Technologies Services - Task Order	Original	Internal Communications employee networks combined at merger before QCC was established as a 272 affiliate.			#1
7	QC to QCC	QC provided revenue accounting functions to QCC	07/01/01	246	03/14/02	Finance Services - Work Order	Amend.10	See Note A.			#3
8	QC to QCC	QC provided order management and billing inquiry functions to QCC	10/01/01	190	04/19/02	Global Business Accts.-Service Order Processing - Work Order	Original	See Note A - Out of region service order creation.			#4
9	QC to QCC	QC provided order management and billing inquiry functions to QCC	10/01/01	211	05/10/02	National Business Accts.-Service Order Processing - Work Order	Original	See Note A - Out of region service order creation.			#5
10	QCC to QC	QCC Private Line, 800/8XX, 1-InterLATA provided to QC	07/01/02	6	07/17/02	InterLATA Services for Official Company Services - Task Order	Amend.3	Note A		#24	#6
11	QC to QCC	QC provided emergency repair call functions to QCC calls when QCC call center failed	07/12/02	24	08/15/02	Trouble Ticket Status for ATM/Frame - Work Order	Original	See Note A - Function provided under emergency conditions.			#9
12	QCC to QC	QCC provided consulting functions to QC	03/25/02	152	09/03/02	Consulting Services - Task Order	Original	See Note A - Overlooked need to post one-time function provided by single employee.			#10
13	QCC to QC	QCC provided prepaid calling cards to QC	01/01/02	244	09/12/02	Prepaid Calling Cards - Task Order	Amend.1	Service discovered during KPMG examination, and previously disclosed in 271 application process.			#12
14	QC to QCC	QC provided order management and billing inquiry functions to QCC	09/01/02	7	09/18/02	National Business Accounts Service Order Processing - Work Order	Amend. 1	Note C - Out of region service order creation		#6	
15	QC to QCC	Out of region service order processing service identified	08/01/02	38	09/18/02	Global Business Accounts General Support Services - Work Order	Original	Note A--Service order processing functions were provided out-of-region and not timely posted. Issue was identified and corrected prior to 271 approval for QCC in any state.	#7	#21	
16	QCC to QC	Added and clarified pricing, agreement already posted	09/01/02	16	09/27/02	Lease of Fiber Optic Lines - Task Order	Amend.5	Service was already posted but updated to add new locations.			#8
17	QC to QCC	Adds customer adjustments to General Services category	08/01/02	53	10/03/02	Finance Services - Work Order	Amend.18	Note C			#19
18	QC to QCC	Wholesale rates posted in repricing were incorrect, agreement already posted	09/01/02	33	10/14/02	Wholesale Sales and Service - Work Order	Amend.5	Posting of incorrect repricing rates . See Note C.			#21
19	QC to QCC	Updates for new rate, agreement already posted	08/01/02	67	10/17/02	Operator and Support Personnel Services - Work Order	Amend. 5	Note C			#17
20	QC to QCC	QC provided customers QCC's toll free number when customers called the QC business office in error	07/01/02	109	10/28/02	National Consumer Bus.Office Referrals - Work Order	Amend.1	See Note A - Confusion whether referrals were considered a postable function.			#11
21	QCC to QC	Building location changes added	11/01/02	0	10/31/02	Space & Furniture Rental - Task Order	Amend.7	This service was actually provisioned 11/1/02 as services are billed in advance and should not be on the list.			#28



Issue #	From/To	Description of Service/Function	Effective Date	Posting Date	Original Agreement	Person	EA Report
22	QC to OCC	Project management functions added to posted agreement	10/31/02	24	12/04/02	Space & Furniture Rental - Work Order	
23	QC to CLDC	Amendment to add BOSS/CARS note	09/01/01	641	12/12/02	Billing and Collections Services - Other Contract	#25
24	QC to CLDC	Amendment to add IT developmental work	03/01/01	641	12/12/02	Billing and Collections Services - Other Contract	#27
25	QC to CLDC	Updates for annual reprinting, agreement already posted	12/01/02	12	12/23/02	Internal Data Network Connections	#5
1	QC to GCC	Adds clarification to pricing addendum - no changes to terms or rates, agreement already posted	01/01/03	23	02/03/03	Finance Services - Work Order	#20
2	QC to CLDC	Adds clarification to pricing addendum - no changes to terms or rates, agreement already posted	01/01/03	23	02/03/03	Finance Services - Work Order	#32
3	QC to CC	Provisioning date equals shipping date	11/10/02	76	02/04/03	Sale of Spare Inventory - Task Order	#27
NA	QC to GCC	This amendment updated original agreement on same day	03/01/01	698	02/07/03	Data Network Trouble Management Call Transfer Service - Work Order	#16



Issue #	From/To	Brief Description of Service/Function	Effective Date	Days Late	Date Posted	Name of Work Order/Task Order	Amendment to Original Agreement	Reason	E & V Report		
									A-3	A-4	A-5
4	QC to QCC	Transfer of misdirected calls not previously identified	03/01/01	698	02/07/03	Data Network Trouble Management Call Transfer Service - Work Order	Original	Note A--This function occurred in an isolated center where calls were transferred on a nondiscriminatory basis, however employees overlooked posting this function.	#6	#18	#13
5	QC to QLDC	Update to rate only	01/06/03	27	02/12/03	Trouble Management Call Transfer Service - Work Order	Amend.1	Note C		#30	
6	QC to QCC	Added cash management process, not previously posted	08/01/02	219	03/18/03	Finance Services - Work Order	Amend. 20	Note A--Out of region cash management functions added to General Services Finance description. Involved 2 employees. Provider assumed posted work order covered all services. Detailed review discovered omission.	#2	#3	#14
7	QC to QLDC	QC Risk Management provided customer adjustments on behalf of QLDC	02/01/03	50	04/02/03	Finance Services - Work Order	Amend. 4	Note A		#13	#24
8	QC to QCC	QC presentation to QCC - no charge for service	02/01/03	79	05/01/03	Information Technologies Services - Work Order	Original	Note A--Information shared on DSL in presentation given to QCC by QC erroneously.		#22	#22
9	QCC to QC	E-site service previously not identified	06/01/01	358	06/04/02	Use of Internally Developed Software - Task Order	Original	Note A	#9	#26	#7
10	QC to QLDC	QC hung QLDC advertising banners from QC buildings	01/02/03	144	06/05/03	National Consumer Markets Joint Marketing - Work Order	Amend. 2	See Note A - Responsible person overlooked need to post marketing display functions related to the 272 launch .			#26
11	QC to QCC	Pre-merger contract unknowingly assigned by 3rd Party to QCC	04/20/00	1165	07/09/03	One-Way Select Service - Other Contract	Original	Pre-merger QC contract assigned by a 3rd party to QCC, creating a 272 transaction, which was corrected prior to QCC receiving 271 approval.		#29	#15
12	QC to QCC	Amendment to add IT developmental work	03/01/01	852	07/11/03	Billing and Collections - Other Contract	Amend. 3	Note A--QCC was purchasing services directly from QIT. QCC was not aware that services should be provided by QC as part of the B&C function and should be covered by its B&C agreement.	#5	#11	#16
13	QCC to QC	Co-located equipment previously not identified	11/01/02	248	07/17/03	Lease of Equipment Space and Power - Task Order	Amend.1	Note C	#8	#25	
14	QC to QLDC	Updated market inserts and added market messages	01/02/03	201	08/01/03	Information Technologies Services - Work Order	Amend.2	Note A--Market messages and set up functions were inadvertently omitted in original posting.		#14	#28
15	QC to QCC	Use of equipment erroneously provided without agreement	11/09/01	633	08/14/03	[1]Use of Voice Switching Equipment - Work Order	Original	Note A--Responsible party was confused about 272 requirements, Qwest continues to refine and reinforce training efforts.	#1	#2	#17
16	QC to QCC	Updates description of services for one service erroneously provided	09/11/01	706	08/28/03	Trouble Ticket Status for ATM/Frame Relay - Work Order	Amend.3	Note A--Agreement modified to reflect one instance on 9/11/01 where QC employees had access and made changes in the QCC switching network for disaster recovery. This was prior to 271 approval in any Qwest state.		#33	
17	QLDC to QC	Regulatory requirement - no charge	09/04/03	1	09/15/03	Data Information Requests - Task Order	Original	Signed on 9/12/03 which was a Friday and was posted on a Monday.		#12	
18	QC to QLDC	QLDC provided QC data to Montana in response to regulatory data request	03/01/03	195	09/22/03	Informational Requests - Work Order	Original	See Note A - QC provided information to QLDC to respond to state regulatory commission data requests.			#29
19	QC to QCC	New rate for existing service, agreement already posted	08/01/03	42	09/22/03	Finance Services - Work Order	Amend. 24	Note C		#4	
20	QC to QCC	Trunk group blocking reports provided at no charge	08/01/03	43	09/23/03	Network Services - Work Order	Original	Note A--Uncertainty around posting requirements related to trunk group reports provided to IXC's at no charge.		#1	#18
21	QC to QLDC	QC provided printing and mailing functions to QLDC for customer letters	07/16/03	62	09/26/03	Printing and Processing - Work Order	Original	See Note A - Responsible person thought function was covered under an existing work order.			#30



272 Audit
Attachment 1
Section 272 (b)(5) Posting Requirement

Item	Comments	Effective Date	Days in Effect	Date Posted	Name of Work Order/Task Order	Agency or Original Agreement	Reason	E&Y Report
22	QC to QLDC Updated rates, agreement already posted	09/01/03	15	09/26/03	Information Technologies Services - Work Order	Amend.3	Updated a rate on pricing addendum, agreement already posted. Qwest does not consider this a late posting.	#15
23	QCC to QC QCC MRC report with QCC info used by QC wholesale	06/24/03	119	10/31/03	Reprints - Task Order	Original	See Note A - Uncertainty over posting requirements related to sharing of processes provided at no charge.	#19
24	QCC to QC Additional QCC interLATA Service added	08/02/02	542	02/05/04	Interlata Svcs. for QCC-Task Order	Amend.4	Overlooked one of six routing features listed at same price.	#23
25	QC to QLDC QC provided local service provider (LSP) Identifications to QLDC	09/03/03	184	02/13/04	Local Service Provider Identification Information - Other Contract	Original	See Note A - The same Information is provided to other IXC's.	#31
26	QC to QLDC QC provided Customer Lists to QLDC	09/03/03	153	02/13/04	Use of Customer Lists - Other Contract	Original	See Note A - The same Information is provided to other IXC's	#32
27	QC to QCC QC is providing Account Data Verification to QCC	11/03/03	92	02/13/04	Account Data Verification - Other Contract	Original	See Note A	#20

[1] This work order name changed to "Lease of Voice Switching Equipment"

Note A: A Function inadvertently not identified within 10 days of provisioning but discovered and corrected by Qwest review controls.

Note B: Billed back to Qwest/US West merger date, disclosed in Qwest's Section 271 application process.

Note C: Amendment to work order to reflect affiliate transaction repricing, which was made effective the 1st day of the month. Qwest is reviewing its repricing practices as they relate to posting.

Note D: Previously disclosed in E&Y fieldwork.

2004 Call Center Summary Attachment 2

Sales Center		January			February			March			April			
Sample	# Compliant	Overall	Sample	% Compliant	Overall	Sample	% Compliant	Overall	Sample	% Compliant	Overall	Sample	% Compliant	Overall
Business Sales	10	100%	10	100%	10	90%	90%	100%	10	100%	100%	10	100%	100%
Denver	10	100%	10	100%	10	90%	90%	100%	10	100%	100%	10	100%	100%
Phoenix	10	100%	10	100%	10	90%	90%	100%	10	100%	100%	10	100%	100%
Salt Lake City	10	90%	10	90%	10	80%	80%	100%	10	90%	93%	10	90%	93%
Consumer Sales		10	100%	100%	10	100%	100%	100%	10	100%	100%	10	100%	100%
Boise	10	100%	10	100%	10	90%	90%	100%	10	100%	100%	10	100%	100%
Denver	10	100%	10	100%	10	70%	70%	100%	10	90%	90%	10	100%	100%
El Centro	10	100%	10	100%	10	100%	100%	100%	10	90%	90%	10	100%	100%
Idaho Falls	10	80%	10	80%	10	90%	90%	100%	10	100%	100%	10	100%	100%
Omaha	10	100%	10	100%	10	100%	100%	100%	10	100%	100%	10	100%	100%
Phoenix	10	80%	10	80%	10	80%	80%	100%	10	90%	90%	10	100%	100%
Salt Lake City	10	100%	10	100%	10	100%	100%	100%	10	100%	100%	10	100%	100%
Seattle	10	90%	10	90%	10	100%	100%	100%	10	100%	100%	10	100%	100%
St. Paul	10	90%	10	90%	10	90%	90%	100%	10	100%	100%	10	100%	100%
January Average		93%	9	90%	97%	9	90%	91%	9	97%	97%	10	100%	100%
February Average		83%	8	80%	83%	8	80%	91%	9	91%	91%	10	100%	100%
March Average		93%	10	100%	93%	10	100%	97%	10	100%	100%	10	100%	100%
April Average		93%	9	90%	93%	9	90%	97%	10	100%	100%	10	100%	100%

January-April Consumer data source: Concentra Monitoring
January-April Business data source: Random Remote Observations.

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of June 17, 2004 through June 23, 2004

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact
Delaine Kolbo within five business days of this report. Phone: 605-773-3201

ELECTRIC

EL04-023 In the Matter of the Filing by TRK Development, Inc. for an Electric Master Metering Variance.

On June 21, 2004, TRK Development, Inc. filed a request for a variance of the individual metering requirement contained in ARSD 20:10:26. TRK Development is designing a building for affordable housing funded under the South Dakota Housing Development Authority's tax credit program. The building is designed to have the owner pay the electric service for each unit and therefore TRK is requesting to master meter the electric for the building.

Staff Analyst: Michele Farris
Staff Attorney: Karen Cremer
Date Filed: 06/21/04
Intervention Deadline: 07/09/04

TELECOMMUNICATIONS

TC04-104 In the Matter of the Establishment of Switched Access Revenue Requirement for Cheyenne River Sioux Tribe Telephone Authority.

On June 22, 2004, Cheyenne River Sioux Tribe Telephone Authority, Eagle Butte, South Dakota, filed a switched access cost study developing a revenue requirement and minutes of use that are included in the revenue requirement and minutes of use used to determine the switched access rates for the Local Exchange Carriers Association.

Staff Analyst: Harlan Best
Staff Attorney: Karen Cremer
Date Docketed: 06/22/04
Intervention Deadline: 07/09/04

TC04-105 In the Matter of the Application of Telecom Management, Inc. d/b/a Pioneer Telephone for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.

On June 23, 2004, Telecom Management, Inc. d/b/a Pioneer Telephone filed an application for a Certificate of Authority to provide telecommunication services in South Dakota. The applicant intends to provide resold interexchange long distance services to residential and business customers throughout South Dakota.

Staff Analyst: Michele Farris
Staff Attorney: Karen Cremer
Date Filed: 06/23/04
Intervention Deadline: 07/09/04

TC04-106 In the Matter of the Establishment of Switched Access Revenue Requirement for

Alliance Communications Cooperative, Inc.

On June 23, 2004, Alliance Communications Cooperative, Inc., Garretson, South Dakota, filed a switched access cost study developing a revenue requirement and minutes of use that are included in the revenue requirement and minutes of use used to determine the switched access rates for the Local Exchange Carriers Association.

Staff Analyst: Keith Senger
Staff Attorney: Karen Cremer
Date Docketed: 06/23/04
Intervention Deadline: 07/09/04

TC04-107 In the Matter of the Establishment of Switched Access Revenue Requirement for Splitrock Properties, Inc.

On June 23, 2004, Splitrock Properties, Inc., Garretson, South Dakota, filed a switched access cost study developing a revenue requirement and minutes of use that are included in the revenue requirement and minutes of use used to determine the switched access rates for the Local Exchange Carriers Association.

Staff Analyst: Keith Senger
Staff Attorney: Karen Cremer
Date Docketed: 06/23/04
Intervention Deadline: 07/09/04

TC04-108 In the Matter of the Establishment of Switched Access Revenue Requirement for Valley Telecommunications Cooperative Association, Inc.

On June 23, 2004, Valley Telecommunications Cooperative Association, Inc., Herried, South Dakota, filed a switched access cost study developing a revenue requirement and minutes of use that are included in the revenue requirement and minutes of use used to determine the switched access rates for the Local Exchange Carriers Association.

Staff Analyst: Harlan Best
Staff Attorney: Karen Cremer
Date Docketed: 6/23/04
Intervention Deadline: 7/09/04

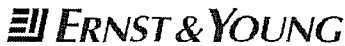
TC04-109 In the Matter of the Section 272 Biennial Report for Qwest Communications International, Inc.

On June 14, 2003, the Commission received from Ernst & Young a Report of Independent Accountants on Applying Agreed-Upon Procedures regarding the section 272 biennial report for Qwest Communications International, Inc. Pursuant to section 272 (d) of the Communications Act of 1934, as amended, the Commission is accepting comments on this report. Any person may submit comments and the comments should include any proposal for how the Commission should proceed with this docket.

Staff Analyst: Harlan Best
Staff Attorney: Karen E. Cremer
Comments Due: 07/23/04

**You may receive this listing and other PUC publications via our website or via internet e-mail.
You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc>**

TC04-109



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JUL 09 2004

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

July 8, 2004

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
9300 East Hampton Drive
Capitol Heights, Maryland 20743

Elec.
~~EX~~ Received JUL 09 2004

**ERRATA – Qwest Communications International, Inc.
Section 272 Biennial Report
EB Docket No. 03-198**

Dear Ms. Dortch:

On June 10, 2004, Ernst & Young, LLP filed the Qwest Communications International, Inc. Section 272 Biennial Report electronically through ECFS and in hard copy with your office.

Subsequent to filing the of report with your office, we noted the following two typographical errors that require correction:

- Page 16 of Attachment A – Objective V/VI, Procedure 5. Paragraph 3 – Two references to 34 affiliate agreements posted to the Internet more than ten day after the effective dates are incorrect. These two references should state that 33 affiliate agreements were posted to the Internet more than ten days after their effective dates.
- Attachment A-2, Line 6 should read “Assets Held for Future Use (credit balance) included in Trial Balance, not included in Fixed Asset Listings”

Attached are corrected pages for Page 16 of Attachment A and Attachment A-2. Please replace these corrected pages in the report previously submitted to your office. This letter has been filed via ECFS and has been sent to you via Federal Express.

Sincerely,

Deena McKinney
Principal
Ernst & Young, LLP

randomly selected 80 affiliate agreements¹⁸ and obtained copies of the selected agreements. Summarized, in the workpapers, the selected agreements noting the names of the parties, type of service, price, terms and conditions. Also identified which agreements terminated during the Audit Test Period and noted that none of the agreements terminated prematurely. Inquired and documented that services provided in nine affiliate agreements were provisioned before the written affiliate agreement was in place. These nine services are listed in Attachment A-3.

5. Using the sample of 80 affiliate agreements selected in procedure 4 above, viewed each Section 272 affiliate's section of the Qwest corporate Internet site, www.qwest.com, and compared the prices, terms and conditions of services and assets shown on this site to the copies obtained in Procedure 4 above. For 78 of the 80 affiliate agreements, noted no differences. Noted that one affiliate agreement tested terminated on January 28, 2003 and had been removed from the Qwest Internet site before the testing date of February 14, 2004.¹⁹ Qwest Corporate management represented that affiliate agreements are removed from the Internet site one year after termination. For one affiliate agreement pricing addendum tested, noted that the copy obtained included pricing for three services that were not listed on the pricing addendum posted on the Internet site.

For the selected affiliate agreements, physically inspected the information made available for public inspection at the principal place of business for the Qwest BOC, at 1801 California, 3rd Floor, Denver, Colorado, 80202. Compared the tested agreements inspected at the Qwest BOC principal place of business to the copies of the tested agreements obtained above. Noted no exceptions.

Using the sample of 80 agreements selected in Procedure 4 above, documented in the working papers the dates when the agreements were signed and/or when the services were first rendered (whichever took place first) and the dates of posting on the Internet. Noted that 33 of the 80 agreements tested were posted to the Qwest Internet site more than ten days after their effective date.²⁰ Attachment A-4 lists the 33 affiliate agreements that were posted to the Internet more than ten days after their effective date. Requested the reasons as to why these late postings occurred and included the responses received for each late posting in Attachment A-4.

In addition to the affiliate agreements tested above, Qwest disclosed additional affiliate agreements and/or amendments that were posted to the Internet more than ten days after

¹⁸ Forty Tariffs were originally included in the random sample of 80 agreements tested in Objective V/VI, Procedure 4 and Procedure 5, but were replaced since: 1) the tariffs are made available on Qwest's tariff Internet site and are updated on the site on a page-by-page basis; and, 2) the Internet posting requirements for affiliate agreements included in the Accounting Safeguards Order, paragraph 122, do not apply to services provided pursuant to tariffs.

¹⁹ This agreement was in the replacement sample drawn and tested after the Joint Oversight Team requested that tariffs not be included in the testing for Objective V/VI, Procedures 4 and 5, on February 12, 2004.

²⁰ The effective date of the agreement was determined as the earlier of the date the agreement was signed by all parties or the date that services were first rendered or provisioned under the agreement.

Reconciliation of QCC Trial Balance to Fixed Asset Listings		
As of September 30, 2003		
<i>Line</i>		
	Fixed Asset Listings:	
1	QCC Fixed Asset Listing	\$4,768,685,871
2	QNLP Fixed Asset Listing	1,923,613,167
3	Capitalized Leases Listing	<u>1,408,753,890</u>
4	Total Fixed Assets Per Fixed Asset Listings	8,101,052,928
	Reconciling Items:	
5	Work In Process assets (credit balance) included in Trial Balance, not included in Fixed Asset Listings	(352,360,935)
6	Assets Held for Future Use (credit balance) included in Trial Balance, not included in Fixed Asset Listings	(11,000,000)
7	Inventory Assets included in Trial Balance, not included in Fixed Asset Listings	76,000,000
8	Entries included in Trial Balance, not yet posted to Fixed Asset Listing	6,100,000
9	Accumulated Depreciation included in Trial Balance, not included in Fixed Asset Listings	(214,873,331)
10	Restatements and Impairments recorded in Trial Balance, not included in Fixed Asset Listings	(6,549,000,000)
11	Unreconciled amount	(831,714)
12	Fixed Asset Balance per Trial Balance	<u>\$1,055,086,948</u>



Qwest
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Denver, Colorado 80202
Phone 303.672.2734
Facsimile 303.295.7069
Melissa.Thompson@qwest.com

Melissa K. Thompson
Senior Attorney

July 22, 2004

Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501

RECEIVED
JUL 23 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: TC 04-109 – In the Matter of Section 272 Biennial Report for Qwest
Communications International Inc. - Comments of Qwest Communications
International Inc.

Dear Ms. Bonrud:

Please find enclosed for filing in the above referenced docket, an original and ten (10) copies of Comments of Qwest Communications International Inc. in the matter of Section 272 Biennial Report for Qwest Communications International Inc.

We have also enclosed an extra copy of this letter and of the filing. Please date stamp the extra copies and return them to us for our files. We will submit an electronic copy of the filing to you as well.

Thank you for your help with this matter. Please contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Melissa K. Thompson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Melissa K. Thompson

Encl.

cc: Larry Toll
Colleen Sevold

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

JUL 23 2004

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Section 272 Biennial
Report for Qwest Communications
International, Inc.

TC 04-109

COMMENTS OF QWEST
COMMUNICATIONS
INTERNATIONAL INC.

The South Dakota Public Utilities Commission ("Commission"), as part of the Commission's Weekly Filings Report for June 17-23, 2004, issued a notice that it is accepting comments on the Section 272 Biennial Report (the "Report") for Qwest Communications International Inc. ("QCII") until July 23, 2004. Consistent with the Commission's instructions, QCII respectfully submits the following comments regarding how the Commission should proceed with this docket.

Section 272(d)(1) of the Telecommunications Act of 1996 requires a company operating a separate affiliate under § 272 to obtain a joint Federal/State audit conducted by an independent auditor every two years. In this case, Ernst & Young LLP prepared the Report and submitted it to the Federal Communications Commission ("FCC") and to the state commissions in Qwest Corporation's 14-state region, as required by 47 U.S.C. § 272(d)(2). The FCC then issued a public notice dated June 29, 2004 seeking comments on the Report in accordance with § 272(d)(2). Interested parties must file comments with the FCC by August 30, 2004. *See* 47 C.F.R. § 53.213(d).

Consistent with the requirements of 47 U.S.C. § 272(d)(2), the Commission has made the Report available for public inspection. Also, the Commission has opened this docket to permit

interested parties in South Dakota to file comments. The sole purpose of this docket should be to serve as a repository for public comments, which the Commission may forward to the FCC.

RESPECTFULLY submitted this 22nd day of July, 2004.

QWEST COMMUNICATIONS
INTERNATIONAL INC.

By: 
Melissa K. Thompson, Senior Attorney
QWEST SERVICES CORPORATION
1801 California Street, 49th Floor
Denver, CO 80202
Telephone: (303) 672-2734
Facsimile: (303) 295-7069
Email: Melissa.Thompson@qwest.com

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of July, 2004, an original and ten (10) copies of **COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC.** in Docket No. TC-04-109 was forwarded via UPS Overnight, to the following:

Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501

Cynthia D. Hawerton