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ILL. C. C. DOCKET NO. 00-0393

Docket No. 00-0393 (Second Rehearing)

Carter Rebuttal Testimony Exhibit No. 1.0

Carter Rebuttal Testimony

Covad Exhibit 1.0

Address _____

Date 1-25-02 Reporter CB

**REBUTTAL TESTIMONY ON SECOND REHEARING OF
MELIA CARTER
ON BEHALF OF COVAD COMMUNICATIONS COMPANY**

1. BACKGROUND

1. Q: PLEASE INTRODUCE YOURSELF.

A. My name is Melia Carter. I am Director, ILEC Relations and External Affairs for Covad Communications Company ("Covad"). Since May of 2000, I have had the responsibility of managing the ILEC business relationship with incumbents across the entire 13-state SBC footprint. My business address is 227 W. Monroe, Floor 20, Chicago, Illinois, 60606.

2. Q: WHAT IS COVAD?

A. Covad is a facilities-based competitive local exchange carrier ("CLEC") focused on providing high-speed broadband services using digital subscriber line ("DSL") technologies. Covad is a national CLEC and provides service to business and residential customers in Illinois.

3. Q: PLEASE DESCRIBE YOUR RESPONSIBILITIES ON BEHALF OF COVAD.

A. As mentioned above, my job is to manage Covad's business relationship with SBC Communications and its affiliates (collectively SBC), including SBC/Ameritech and other ILECs in the SBC 13-state footprint, to ensure that the ILECs provide access to unbundled network elements ("UNEs") and other facilities and services as required by law.

4. **Q: PLEASE BRIEFLY DESCRIBE YOUR BUSINESS AND EDUCATION BACKGROUND PRIOR TO JOINING COVAD.**

A. Immediately before joining Covad, I worked as Director of Negotiations for SBC/Ameritech. My responsibilities included negotiating interconnection agreements with CLECs, other ILECs and wireless carriers. Prior to taking that job, I was Manager – Wholesale Products for Ameritech, responsible for developing resale and unbundled products and services under the Telecommunications Act of 1996. While in this position, I undertook an interim assignment for Ameritech International, involving research and analysis of the regulatory and competitive environments in over 15 European countries, as well as Australia and New Zealand, to determine the best strategy for Matav and Belgacom (the Hungarian and Belgian Incumbent Telecommunications Carriers, respectively) to satisfy the European Union’s requirement that members open their telecommunications markets to competition by 2001. Before beginning work as Manager – Wholesale Products, I was in a managerial rotation program with Ameritech. During that time, I worked in a variety of sales, strategy, network operations and marketing positions. I graduated in 1992 from Illinois Wesleyan University with a BA in Business Administration and Pre-Law. I also have an MBA from Northwestern University J.L. Kellogg Graduate School of Management, which I completed in 1998 while working for Ameritech.

5. **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. In response to Mr. Boyer’s testimony, I will explain to the Commission why it is crucial for the Commission to reject the Special Request Process proposal

advocated by SBC/Ameritech. Furthermore, I will explain why Covad's proposal is the most effective way to accomplish the Commission's mandate that CLECs be able to provide differentiated products and services to Illinois consumers by utilizing new features and functions of line cards in the Project Pronto NGDLC equipment.

6. Q: **IN HIS TESTIMONY, MR. BOYER STATES THAT A "COLLABORATIVE FRAMEWORK" AS OUTLINED IN SBC/AMERITECH'S PROPOSED SPECIAL REQUEST PROCESS WOULD BE A MORE ORDERLY AND FLEXIBLE WAY FOR A CLEC TO REQUEST ADDITIONAL FUNCTIONS AND FEATURES OVER THE PRONTO ARCHITECTURE. DO YOU AGREE THAT THE SPECIAL REQUEST PROCESS IS A BETTER ALTERNATIVE TO THE CLEC THAN DEFINED INTERVALS?**

A. No. The "collaborative framework" as proposed by SBC/Ameritech allows SBC/Ameritech to have full control over the deployment of any additional features and functionalities deployed over the Pronto architecture. This open-ended "negotiation" advocated by SBC essentially leaves SBC as the gatekeeper over what features and functions a CLEC will be able to deploy and offer to its end users, and when such features and functionalities will be made commercially available. Furthermore, the open-ended negotiation in the Special Request Process would give SBC the ability to present "take it or leave it" proposals to the CLEC, forcing the CLEC either to resolve the issue by litigating or by informing the customer that it cannot provide the requested feature or function. As I have explained in my prior testimony, and as SBC/Ameritech's own economist acknowledged in the prior hearing in this docket, it is crucial for CLECs to be able to differentiate their products and services. As long as SBC is allowed to remain the gatekeeper, competition in Illinois will be hampered.

7. **Q: DO YOU BELIEVE THAT IT WAS THE INTENT OF THIS COMMISSION FOR SBC TO HAVE THE ABILITY TO DETERMINE WHAT FEATURES AND FUNCTIONALITIES A CLEC COULD PROVIDE TO ITS END USERS?**

A. Definitely not. In its Order on Rehearing in this docket, the Commission stated, “That said, we remain convinced that unless and until requesting carriers have meaningful access to the Project Pronto architecture for the use of line cards that will provision the various types of services they wish to provide, they will indeed be impaired in providing those services.”¹ Again, SBC/Ameritech’s Special Request proposal would give them the ability to “gut” the intent of the Commission’s order, leaving CLECs with nothing to show for all of the litigation that has been undertaken in this case.

It is important to note that the Commission’s Order on Rehearing in this case adopted a compromise proposal by Staff *in lieu* of CLEC line card ownership and collocation. A key component of Staff’s proposal was that CLECs would have the ability to use the inherent features, functions and capabilities of the NGDLC system as soon as they become available². It is critical that the Commission prevent SBC/Ameritech from undermining the intent of its Order On Rehearing by relegating CLECs to a futile process for trying to obtain new features and functions of NGDLC line cards.

¹ Docket 00-0393, Order on Rehearing, page 36.

² Order on Rehearing, Docket No. 00-0393, page 30.

8. **Q: MR. BOYER STATES THAT THE SPECIAL REQUEST PROCESS WOULD CREATE A BUSINESS RELATIONSHIP BASED ON CLEC'S NEEDS, AND THUS WOULD ELIMINATE LITIGATION. DO YOU AGREE?**

A. No, in fact, this process would undoubtedly cause more litigation for the reasons stated above. Under SBC/Ameritech's proposal, SBC/Ameritech would have an open-ended timeframe for "negotiating" with CLECs, giving SBC/Ameritech the opportunity to add significant delay to CLEC access to new features and functions of NGDLC line cards. Furthermore, CLECs are willing to pay their fair share of TELRIC-compliant costs incurred by SBC/Ameritech for deploying new features and functions of line cards. However, SBC/Ameritech's proposal would give it the ability to charge CLECs development costs that are not compliant with the TELRIC costing methodology – the method that the FCC and virtually every state Commission, including this one, have determined give ILECs a fair return on their network investments. If SBC/Ameritech does not use TELRIC methodology for setting costs, it will be able to significantly inflate CLEC costs to the point where it is uneconomical for the CLEC to offer the new product or feature to its customers. In addition, the Special Request Process provides SBC with broad authority to reject CLEC requests for new features and functions on the vague basis of "technical or economic infeasibility." The CLECs then would have no recourse other than to return to the Commission to litigate SBC's unilateral determination. Therefore, as I explain below, it is extremely critical that the Commission establish the specific terms and conditions that SBC/Ameritech must

follow when processing a CLEC request for new features and functions for NGDLC line cards.

9. **Q: WHY WOULD SBC WANT TO DELAY OR HALT THE PROCESS ?**

A. As is the case for any business, SBC/Ameritech wants to protect and expand its own market share at the expense of its competitors. Therefore, SBC/Ameritech has an incentive to protect its own retail broadband operations, and the associated revenues and margins. In order to do this, SBC/Ameritech must maintain control over the network, including what components are unbundled and what functionality can and can't be deployed over the network. In the first rehearing in this case, SBC/Ameritech made it very clear that the primary reason it strenuously opposed the Commission's requirement to unbundle Project Pronto components was that it wanted to maintain sole control of the use of its network. Mr. Ireland, Chief Technology Officer of SBC, admitted that even if unbundling Project Pronto, as required by the Commission's order in 00-0393, would cost SBC/Ameritech \$0, he would not recommend that SBC deploy Project Pronto in Illinois because the order would cause SBC to lose control of the asset in a competitive marketplace. (See Exhibit MAC-1; Docket 00-0393 on rehearing TR at 308 lines 4-11) In other words, SBC's concern is that if it loses control over what is deployed in the network, it will lose control of the competitive marketplace. Therefore, SBC is unwilling to comply with the mandate of the Telecommunications Act of 1996 giving CLECs a right to use components of the ILECs' networks to deploy innovative new offerings for customers. Such attitude has lead to far too much litigation in the industry.

Despite the fact that SBC/Ameritech was successful in getting this Commission to reverse its decision in this docket regarding CLEC ownership and collocation of line cards, SBC/Ameritech's control issue is still a factor. If SBC/Ameritech gives CLECs full access to new features and functions of NGDLC line cards as required by the Commission, SBC/Ameritech will not be able to control the types of services that are available on its network.

Furthermore, new and innovative technologies that CLECs would deploy on the NGDLC architecture would erode SBC's market share of high-margin data services, thereby leaving SBC with no incentive to allow a CLEC to deploy such offerings. It is well known that DSL technology was available for over a decade before the ILECs began to deploy it. However, the ILECs chose not to deploy it because it would have cannibalized the ILEC's high-margin data services, particularly expensive T-1 services. The new types of xDSL that CLECs want to deploy, such as G.shdsl, are particular threats to SBC/Ameritech's T-1 market because they are far cheaper and provide higher bandwidth than T-1 lines. In fact, SBC/Ameritech has not yet agreed to deploy the G.shdsl feature, even though CLECs have requested the feature at the Project Pronto Collaboratives, and the feature is fully supported by Alcatel in Release 11, which SBC/Ameritech is currently deploying. SBC/Ameritech has responded to CLEC requests for G.shdsl by stating that the feature is "under consideration" by SBC/Ameritech, but provides no timeframes or assurance that G.shdsl will ever be deployed. I have provided a copy of SBC/Ameritech's recent statement regarding G.shdsl as Exhibit MAC-2 to my testimony.

10. Q: **IN HIS TESTIMONY, MR. BOYER ASSERTS THAT THE SPECIAL REQUEST PROCESS NEEDS TO BE A “COLLABORATIVE” EFFORT WHICH RESULTS IN AN OPEN-ENDED NEGOTIATION BETWEEN THE PARTIES TO DISCUSS THE TECHNICAL AND ECONOMIC CHALLENGES OF THE DEPLOYMENT. DO YOU BELIEVE THAT THIS TYPE OF COLLABORATIVE PROCESS WOULD OCCUR?**

A. No. The problem with such an open-ended process is that SBC/Ameritech has no binding timeframes for providing CLECs with access to new features and functions of NGDLC line cards. With no specific deadlines in place, CLECs have no leverage to push SBC/Ameritech to fulfill their requests, and have ^{no} regulatory recourse regardless of how long SBC/Ameritech takes to deploy new features and functions, or even if it refuses to deploy them at all. In fact, SBC/Ameritech’s proposed Special Request Process is even worse than its Bona Fide Request Process, which has caused excessive delays and expense for CLECs seeking access to network facilities, because the BFR process is bound by specific timeframes and costs compliant with the TELRIC costing methodology. Mr. Boyer’s testimony that any economic feasibility analysis needs to account for real world costs strongly suggests that SBC/Ameritech intends to calculate development costs by some method other than TELRIC. Further adding to my concerns, I am told by counsel that SBC/Ameritech refused to reveal, in response to Covad’s discovery requests, whether it will use TELRIC costing methodology to calculate development costs for new features and functions of NGDLC line cards. Considering that CLECs have serious problems with the BFR process, the lack of structure and likely non-TELRIC compliant costs and prices in the Special Request Process would make it even more difficult for CLECs to gain access to

necessary features and functions of NGDLC line cards. Thus the proposed Special Request Process gives SBC/Ameritech an unfair advantage over its competitors since CLECs such as Covad would have no ability to challenge SBC/Ameritech's "take it or leave it" proposals. As I explain in more detail below, this is why it is critical that the Commission put forth a set of guidelines determining what constitutes technical and economic feasibility.

11. Q: WHY DO YOU BELIEVE THAT SBC/AMERITECH WOULD NOT ENTER INTO A COLLABORATIVE NEGOTIATION?

A. Historically, Covad has encountered serious difficulties when trying to negotiate with SBC/Ameritech. Without a "stick", such as Commission oversight, SBC/Ameritech has no incentive to come to agreement with Covad. In fact, even when the Commission has ordered SBC/Ameritech to take certain actions, SBC/Ameritech has still failed to honor its obligations. Over the past year, both Covad and Rhythms tried to negotiate an amendment to their respective Interconnection Agreements based on the Commission's decision in the Covad/Rhythms arbitration docket (00-0312/00-0313). Rather than negotiate an amendment in accordance with the Commission's order, SBC has only provided Covad with the option to obtain language that references the result of the tariff docket in 00-0393. SBC appears to have unilaterally invalidated the entire arbitration that Covad and Rhythms spent nearly a year litigating. If SBC doesn't comply with an order that compels them to provide something, surely SBC will not "collaboratively" negotiate with a CLEC, when it has no incentive to do so.

12. **Q: MR. BOYER PROPOSES THAT CLECS SHOULD PROVIDE SBC WITH BINDING FORECASTS, A BINDING FINANCIAL COMMITMENT AND A PAYMENT OF UP-FRONT DEVELOPMENT COSTS AS PART OF THE SPECIAL REQUEST PROCESS. DO YOU AGREE?**

A. No. The Pronto UNE is no different than any other UNE and should be treated just like any other UNE. Despite the fact that SBC/Ameritech does not impose these onerous requirements on other UNEs, SBC/Ameritech is attempting to carve out the Pronto UNE as a different type of UNE subject to disparate treatment. When a voice provider purchases a UNE, it is not required to provide binding forecasts or make binding financial commitments that it will use the forecasted capacity. In addition, a voice provider is not required to pay for up front development costs in order to obtain commercially available features and functionalities. Rather, such costs, if any, have traditionally been incorporated into SBC/Ameritech's TELRIC rates. Also, a voice provider is not required to "collaborate" with SBC about its business needs to meet its customer demand. Furthermore, SBC/Ameritech is not allowed to tell a voice provider that it cannot deploy the requested UNE because it may interfere with SBC/Ameritech's plan to use the existing capacity to deploy services to the mass market. There is nothing different about the Pronto UNE, and SBC/Ameritech should be required to follow precisely the same rules for the Project Pronto UNE as for any other UNE.

Moreover, SBC/Ameritech asserts that it must evaluate during the Special Request Process whether the CLEC request will have any effect on the available capacity of SBC/Ameritech's network. SBC/Ameritech's suggestion ignores the normal process for filling UNE orders — first-come, first-served. If capacity does not exist, then SBC/Ameritech can either reject the CLEC request for a UNE on

the basis that ILECs do not have to build new facilities to support UNEs, or SBC/Ameritech may refer the CLEC to its existing Facilities Modification Process (FMOD) that addresses network capacity issues for CLEC requests. I have included a copy of the FMOD as Exhibit MAC-3 to my testimony. Therefore, there is no need to create a special process to address capacity issues for the Pronto UNE.

13. Q: **MR. BOYER CLAIMS THAT IT WILL TAKE SBC/AMERITECH 10 BUSINESS DAYS TO ACKNOWLEDGE THAT IT HAS RECEIVED A REQUEST FROM THE CLEC. DO YOU BELIEVE THAT THIS IS REASONABLE?**

A. Not at all. Essentially, SBC/Ameritech is giving itself 2 weeks to send a written acknowledgement that only states that SBC/Ameritech has received the request. This is a task that should require no more than one business day to complete.

14. Q: **DO YOU BELIEVE THAT THE REST OF THE SPECIAL REQUEST PROCESS AS PROPOSED BY MR. BOYER IS APPROPRIATE.**

A. As I explain below, with some minor exceptions, the Special Request Process as proposed by Mr. Boyer would only be appropriate in certain circumstances.

15. Q: **MR. BOYER STATES IN HIS TESTIMONY THAT THE SPECIAL REQUEST PROCESS IS NECESSARY TO EVALUATE UNIQUE CLEC SERVING ARRANGEMENTS INTENDED FOR INDIVIDUAL CUSTOMERS OR APPLICATIONS OVER THE PROJECT PRONTO NETWORK ARCHITECTURE. IN CONTRAST, MR. BOYER'S PROPOSED TARIFF LANGUAGE STIPULATES THAT A CLEC MUST GO THROUGH A SPECIAL REQUEST PROCESS FOR ANY SERVICE OR FUNCTIONALITY NOT PRESENTLY OFFERED IN THE TARIFF. PLEASE EXPLAIN HOW THESE TWO SITUATIONS DIFFER.**

A. The two situations outlined in Mr. Boyer's testimony are very different. It is important to highlight that there is a distinction between unique CLEC serving

arrangements and the initial roll out of standard arrangements offered to the market. First, the intent of the Special Request Process was for CLECs to be able to obtain unique or proprietary features or functions that would not be offered to the mass market. As Mr. Boyer stated in his testimony, the Special Request Process was discussed in the 10/24/01 and in the 1/25/01 Project Pronto Collaboratives. During the 1/25/01 collaborative, Peggy Beata, Director of Product Management, explained that the Special Request Process is used when a CLEC wants to develop something proprietary. In particular, Ms. Beata explained that if a CLEC pays for the development through the Special Request Process, the product will not be part of a deployment plan that is rolled out to a mass of customers. She also stated that at no time would a CLEC be paying for something that is going to become "generally available". I have attached a copy of the transcript from the 1/25/01 Broadband Industry Collaborative as Exhibit MAC-4 to my testimony. The statements of Ms. Beata can be found at page 16 lines 2-19 of Volume I. Covad agrees that SBC/Ameritech's Special Request Process may be appropriate in cases where a CLEC approaches SBC/Ameritech with the request for a unique CLEC serving arrangement that is not based on commercially available, off the shelf equipment from manufacturers. This appears to be the scenario that Mr. Boyer is describing on page 7 of his testimony. However, SBC/Ameritech's proposed tariff language would also impose the Special Request Process in instances where CLECs request standardized features or functions such as new ATM QoS classes, G.lite and G.shdsl, all of which are commercially available from manufacturers, as Mr. Zulevic explains in his

testimony. This language in the tariff contradicts Ms. Beata's explanation of the Special Request Process since if followed, CLECs would be paying for something that has become "generally available" and the deployment of the product would not be proprietary to that CLEC. Thus, while Covad could agree to follow the Special Request Process as proposed by SBC/Ameritech in cases where it is requesting the development of a unique offering, it does not agree that it is appropriate to follow the Special Request Process when a product has become commercially available by the manufacturer.

16. Q: IN LIEU OF THE SPECIAL REQUEST PROCESS, WHAT WOULD COVAD PROPOSE?

A. Covad exhibit MAC-5 attached to my testimony details Covad's proposed process for CLEC access to new features and functions of NGDLC line cards. Covad's proposal cures the flaws in SBC/Ameritech's "one-size-fits-all" approach that Mr. Zulevic discusses in his testimony. Covad is proposing a tiered approach in which CLEC requests for new features and functions would be processed according to a set of rules consistent with the level of complexity involved in the request.

17. Q: WHAT STEPS CAN THE COMMISSION TAKE TO ENSURE THAT THE INTENT OF ITS ORDER ARE IMPLEMENTED?

A. First, the Commission can help prevent protracted litigation, by establishing clear definitions for "economic and technical feasibility" – two bases upon which SBC/Ameritech can attempt to reject a CLEC's request. Otherwise, SBC/Ameritech will have the ability to unilaterally block CLEC access to every

new feature and function of NGDLC line cards. Such result is clearly inconsistent with the intent of the Commission in its order on rehearing.

Second, the Commission should adopt a tiered approach proposed by Covad for processing CLEC requests for new features and functions of NGDLC line cards. Covad has identified four types of requests that a CLEC would submit to SBC:

- Special Request – New Feature and/or Function Development
- Special Request – Software Upgrade Only
- Special Request – New Type of Line Card
- Special Request – Approval For Use Process

I will explain each of the proposals below.

18. Q: **PLEASE EXPLAIN COVAD'S DEFINITION FOR TECHNICAL FEASIBILITY.**

A. A capability should be deemed "technically feasible" if it has been made commercially available by the manufacturer. *— and or available for retail use by the CLEC or its affiliates* As Mr. Zulevic discusses in his testimony, commercial availability does not occur until the new equipment or software has passed all required tests. In fact, SBC's response to Covad Data Request 1-26 supports this concept since it states: "Alcatel will generally not consider a product commercially available unless such product has been tested and approved with various customers, including SBC, and that approval process may take some time and require changes to the product to meet customer needs."

19. **Q: PLEASE EXPLAIN COVAD'S DEFINITION FOR ECONOMIC FEASIBILITY.**

A. The feature and/or functionality should be deemed economically feasible if the CLEC is willing to pay TELRIC-compliant rates based on the per unit capacity cost associated with that feature or function. For example, if a CLEC required more dedicated bandwidth for a specific feature or functionality, that CLEC would have to pay for the additional bandwidth that it utilized. As mentioned earlier in my testimony, these are the rules that apply to all UNEs today.

20. **Q: PLEASE EXPLAIN COVAD'S PROPOSAL FOR THE SPECIAL REQUEST – NEW FEATURE AND/OR FUNCTION DEVELOPMENT.**

A. Special Request – New Feature or Function is used in instances where a CLEC is requesting a unique feature or functionality that is not commercially available from the manufacturer. Covad's proposal for this category is similar to Mr. Boyer's Special Request Process with some minor changes. The changes are as follows:

1. The review meeting that takes place prior to the submission of a Special Request should be held within 5 business days.
2. The acknowledgement receipt of the Special Request Application will be sent to the CLEC within one business day. The acknowledgement will be sent to the CLEC via e-mail with a paper copy sent through U.S. mail.
3. Development costs will be based on TELRIC.
4. If SBC/Ameritech believes that further development is not technically feasible, than SBC/Ameritech will provide CLEC with a detailed written explanation of the basis for its belief.

21. Q: PLEASE EXPLAIN COVAD'S PROPOSAL FOR SPECIAL REQUEST – SOFTWARE UPGRADE ONLY.

A. This request would be for a feature and functionality that only requires a software upgrade, such as enabling the G.lite feature that exists in Alcatel release 11. In this instance, the release has already completed SBC's Approval for Use Process and the CLEC wants the feature or functionality to be deployed in particular remote terminals. In order to deploy this type of feature for a system like the Alcatel Litespan 2000 and 2012, SBC/Ameritech would only have to download the software to the AMS (Alcatel EMS) system housed in the control center. This upgrade should be accomplished within 30 calendar days of the receipt of the CLEC's confirmation to proceed with the deployment of the requested feature or functionality.

Upon receipt of the CLEC Special Request Process Application for a software only upgrade, SBC/Ameritech will acknowledge the receipt of the application within one business day. *If costs exist, within* ~~Within~~ 10 business days, SBC/Ameritech will provide the CLEC with a price quote of the estimated TELRIC-based, per unit amount. If SBC/Ameritech has previously determined the costs for such offering, then the quote will be provided to the CLEC within one business day. The quote will include at a minimum, the estimated price of the feature or function on both a monthly recurring and non-recurring basis. The CLEC will have 10 business days to determine whether it would like to proceed with the deployment of the feature and/or function. If the CLEC returns a receipt to SBC/Ameritech in less than 10 business days, SBC/Ameritech must proceed immediately with the request. After the receipt of the CLEC's confirmation to

proceed, SBC/Ameritech will have 30 calendar days to perform the requested software upgrades.

22. **Q: PLEASE EXPLAIN COVAD'S PROPOSAL FOR SPECIAL REQUEST – NEW TYPE OF LINE CARD.**

A. This request would be for a feature and functionality that requires a new line card to be deployed in the remote terminal, which is already supported by Alcatel NGDLC software. In this instance, the release has already completed SBC's Approval for Use Process and the CLEC wants the feature or functionality to be deployed in particular remote terminals.

Upon receipt of the CLEC Special Request Process Application for a new line card upgrade, SBC/Ameritech will acknowledge the receipt of the application within one business day. Within 10 business days, SBC/Ameritech will provide the CLEC with a price quote of the estimated TELRIC-based, per unit amount. If SBC/Ameritech has previously determined the costs for such offering, then the quote will be provided to the CLEC within one business day. The quote will include at a minimum, the estimated price of the feature or function on both a monthly recurring and non-recurring basis. The CLEC will have 10 business days to determine whether it would like to proceed with the deployment of the feature and/or function. If the CLEC returns a receipt to SBC/Ameritech in less than 10 business days, SBC/Ameritech must proceed immediately with the request. After the receipt of the CLEC's confirmation to proceed, SBC/Ameritech will have 30 calendar days to perform any necessary software and hardware upgrades.

23. **Q: PLEASE EXPLAIN COVAD'S PROPOSAL FOR THE SPECIAL REQUEST – APPROVAL FOR USE PROCESS.**

A. This request would be for a feature or functionality that is commercially available from the manufacturer, but has not been tested by SBC. In this instance, SBC may perform field tests to verify interoperability with SBC's existing network. The processes listed above would remain. However, after the receipt of the CLEC's confirmation to proceed, SBC/Ameritech would have 40 business days to complete its AFU process. Once the AFU process is complete, SBC would have an additional 30 calendar days to deploy the requested feature and/or functionality at the specified remote terminal sites.

24. **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

A. Yes. However, I reserve the right to supplement my testimony should relevant information become available.

EXHIBIT MAC-1

1 A. It may still be the same if all the other
2 terms and conditions, which indicate that I have lost
3 control, I have a long time frame to implementation,
4 all of those issues weigh into the decision.

5 Q. What if there is no increase in costs but
6 the other factors identified just now are still there?

7 A. I might still not do it.

8 Q. So it is not about the money?

9 A. It is about the money as one of the items
10 that we consider.

11 Q. If the money goes away, you still
12 wouldn't do it?

13 A. No, I said I might not do it.

14 Q. Well, here we are again. If the money
15 goes away -- I will ask you the same questions I asked
16 the other witnesses before. If the money goes away,
17 if we prove to the Commission that Mr. Keown is well
18 intentioned but wrong, and there is really no
19 difference in cost to comply with the Order, if the
20 rest of the conditions stick, would you or would you
21 not suspend -- keep the Project Pronto deployment
22 suspended in Illinois?

1 A. If the requirements were to unbundle as
2 they are identified in the Order?

3 Q. Uh-huh.

4 A. First of all, I don't think they can be
5 near zero. In fact, I believe they are in the
6 hundreds of millions of dollars. But irrespective of
7 what I might think, if I take your assumption that
8 they are zero, along the way to be able to implement
9 those and the inability to be able to control the
10 asset in a competitive marketplace, it would likely
11 cause me not to go forward.

12 Q. And how long did you have in mind there?

13 A. I think that the unbundling that has been
14 required is going to be very difficult and complex to
15 do. I would be surprised if it could be done in less
16 time than perhaps a year.

17 Q. Okay. So let me get this straight. If
18 we assume only for discussion purposes the cost delta
19 and we keep in mind that you said this is a ten-plus
20 useful life asset you are talking about here, you are
21 saying if you delay cranking it out again by a year,
22 that it's a non-starter?

1 STATE OF ILLINOIS)
)SS
2 COUNTY OF SANGAMON)
CASE NO.: 00-0393 On Rehearing
3 TITLE: ILLINOIS BELL TELEPHONE COMPANY

4 CERTIFICATE OF REPORTER

5 We, Cheryl A. Davis and Carla J. Boehl, do hereby
6 certify that we are court reporters contracted by
7 Sullivan Reporting Company of Chicago, Illinois; that
8 we reported in shorthand the evidence taken and
9 proceedings had on the hearing on the above-entitled
10 case on the 17th day of July, 2001; that the
11 foregoing pages are a true and correct transcript of
12 our shorthand notes so taken as aforesaid and contain
13 all of the proceedings directed by the Commission or
14 other persons authorized by it to conduct the said
15 hearing to be so stenographically reported.

16 Dated at Springfield, Illinois, on this 18th day
17 of July, A.D., 2001.

18

19

20 Certified Shorthand Reporter

21

22

EXHIBIT MAC-2

Broadband – CLEC Industry Collaborative
December 4, 2001

- 9:00 a.m. **Opening Remarks – C. Gehlbach AVP Wholesale Marketing**
- 9:15 a.m. **Alcatel Release 11 Software Presentation**
 – *N. Jana – SBC New Technology*
- 9:45 a.m. **Q & A**
- 10:00 a.m. **Break**
- 10:15 a.m. **Open Discussion**
- Review of Open Issues Matrix
 - Q & A
 - Future meeting and agenda items
- 11:00 a.m. **Summary & Closing – C. Gehlbach AVP Wholesale Marketing**

Special Release

Approval Review

December 4, 2001

Presented by Nancy Jana

Director, New Technology Introduction

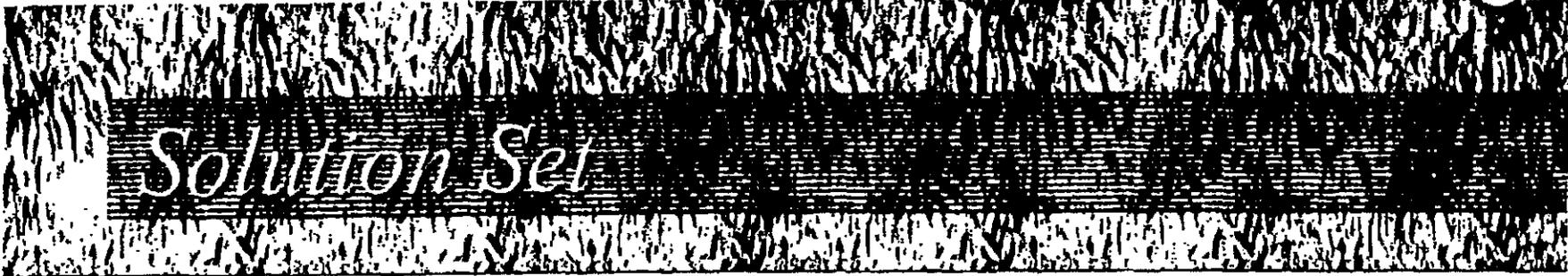
CONFIDENTIAL



LiteSpan Release 11 Features

- **Major Features of Release 11**
 - **Quad ADSL + POTS Card**
 - **HDSL2 (TDM only)**
 - **G.Lite (S/W enabled)**
 - **G.SHDSL**

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Solution Set

- **LiteSpan (LS) Release 11 for LS 2000 and LS 2012**
- **AMS Release 4.0.1**
- **LiteCraft Pro Release 4**

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Deployment Plan

- SBC requires that all new hardware and software releases go through an Approval For Use (AFU) process.
- AFU consists of the following major milestones:
 - Lab Testing
 - OSS system upgrades
 - Field testing for each region
 - First Office Application
 - SOAK sites
 - M&P and other documentation updated
 - Product and Service Assurance Testing
 - Training
- Deployment commences after AFU and Product Approval Notice (PAN) are issued.

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Phased AFU

- Because of the size and complexity of this release, SBC is reviewing it in a phased approach.
- Phases of release:
 - Phase 1/1A: LS 2000, POTS and Broadband
 - Phase 1B/1C: LS2012, POTS and Broadband
 - Phase 1D: LS 2000 and LS2012, DS0 Specials
 - Phase 2: LS 2000 and LS 2012 for DS1S
 - Future: G.Lite
 - Under consideration: G.SHDSL

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Phase 1/1A LS 2000, POTS and Broadband

- **Phase 1/1A provides for LS 2000, POTS and Broadband the following:**
 - LS Rel. 11, AMS Rel. 4.0.1., Litecraft Pro Rel. 4
 - Quad ADSL + POTS
- **Tentative AFU dates**
 - California and Nevada 1st Qtr. 2002
 - SWBT region 1st Qtr. 2002
 - Ameritech region 1st Qtr. 2002
 - SNET 1st Qtr. 2002

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Phase 1B/1C LS2012, POTS and Broadband

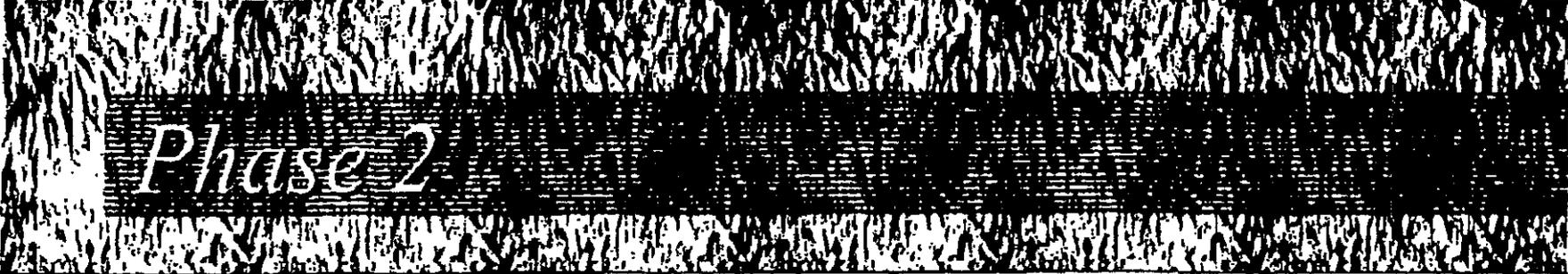
- **Phase 1B/1C provides for LS2012, POTS and Broadband the following:**
 - **LS Rel. 11, AMS Rel. 4.0.1., Litecraft Pro Rel. 4**
 - **Quad ADSL + POTS Card**
- **Tentative AFU dates:**
 - **California and Nevada** **1st Qtr. 2002**
 - **SWBT region** **1st Qtr. 2002**
 - **Ameritech region** **1st Qtr. 2002**
 - **SNET** **N/R**

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Phase 1D LS 2000 and LS2012, DS0 Specials

- **Phase 1D provides for LS 2000 and LS2012, DS0 Specials**
 - **LS Rel. 11, AMS Rel 4.0.1., Litecraft Pro Rel. 4**
 - **Quad ADSL + POTS Card**
- **Tentative AFU dates:**
 - **California and Nevada** **2nd Qtr. 2002**
 - **SWBT region** **2nd Qtr. 2002**
 - **Ameritech region** **2nd Qtr. 2002**
 - **SNET** **2nd Qtr. 2002**

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Phase 2

- **Phase 2 provides LS 2000 and LS 2012 for DS1 service**
 - **HDSL2 card (TDM Only)**
- **Tentative AFU dates:**
 - **California and Nevada 1st Qtr. 2002**
 - **SWBT region 1st Qtr. 2002**
 - **Ameritech region 2nd Qtr. 2002**
 - **SNET 2nd Qtr. 2002**

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Future Phase - G.Lite

- **Future AFU will include G.Lite**
- **Product specifications are under evaluation**

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Pronto Collaborative Open Issues Matrix
12/4/01

CT	Category	Requested by	Issue	Assign To	SBC Position Progress/Resolutions	Status O - Opened C - Closed
1	Loop Qual	Covad - Mella Center	Is there a proactive update being made to loop qual to populate the RTI information for CBR? Pg 80 1/25 transcript	Miketam / Rhoads	SBC is initiating a change request which will proactively populate CBR RTI information into Loop Qual. The current expected implementation date is 3Q02. An update is done via Accessible Letters.	O - 1/25/01 T - 3Q02 C -
2	Product Specific		How would a CLEC convert a working DS-3 OCD port to an OC-3 OCD port when it outgrows the DS3 port? Because the port ID is associated with multiple end user's DSL services, how would this transition occur (to change the port ID associated with the end user service since the port circuit id will change if the CLEC upgrades its port from a DS3 to an OC-3c port)? Will this require downtime for the end user? What interval will be required for this conversion order? What would be the conversion charges for changing OCD port speeds?	Price	SBC has begun to evaluate the conversion process from different port speeds with vendor.	O - 6/28/00 T - 4Q01 C -
3	Product Specific			Price	To be determined, see Issue 2 above.	O - 6/28/00 T - 4Q01 C -
4	Software	Covad - Graflesberger	Address Alcatel's Release 11 software and how it will relate to Pronto and Broadband Services.	Jana	Nancy Jana is scheduled to address this at the December 4, 2001 CLEC Collaborative	O - 9/26/01 T - C -
5	Right of Way	McCall - Worldcom	Can SBC provide information on Right of Way/Remote Terminal information on an SBC Website.	Huito	No, SBC does not plan to provide information on Right of Way/Remote Terminal on a website. SBC does not have the legal authority to extend any such agreement made between SBC and the property owner to a third party. The CLEC has the obligation to obtain any such required permission from the property owner.	O - 9/16/01 T - C -

EXHIBIT MAC-3

Unbundled Network Element Facility Modification & Construction Policy – Issue 4.1, June 2001

The following UNE Facilities Modification and Construction Policy will replace existing UNE Special Construction Policies being used in

Illinois, Indiana, Michigan, Ohio, Wisconsin

This policy will apply except to the extent that there are existing obligations that are inconsistent with the new policy

- Statutory – Laws that may govern the modification of facilities
- Regulatory – Tariffs and or Public Service Commission orders
- Contractual – CLEC contract agreements

Objectives of Facilities Modification Policy

- To ensure no discrimination between retail and wholesale customers
- Significantly reduce the number of canceled CLEC UNE orders due "no facilities available"
- Improve ability to communicate with CLECs concerning no facilities situations and intervals to provision UNEs
- Use existing processes as much as possible
- Improve customer service where possible
- New policy is not intended to fix all existing order, provisioning and maintenance issues

SBC/AMERITECH will make modifications and engage in construction to provision UNEs according to the following categories.

1. Simple Modifications of facilities

Represents an effort above and beyond routine activities to provision a UNE

Examples:

- Line and Station Transfer (LST)
- Clear Defective Pair (CDP)/ Defective Pair Recovery (DPRO)
- Install plugs/cards (where repeater cases are in-place)
- Wire out of limits (WOL)
- Break connect through (BCT0)
- Install Universal Digital Carrier (UDC)
- Install PairGain Plus (Unbundled ISDN only)

Complex Facilities Modification

Modification of existing facilities that requires

- Design engineering
- Equipment ordering, delivery, and installation

Examples:

- Conditioning for ISDN and xDSL compatible loops
- Reroute of facilities (requires engineering and physical work in field to provision order)
- Addition of electronics to provide additional capacity over an existing facility to provision a UNE element (requires engineering, ordering and physical installation of new equipment, and possible rerouting of existing retail services)
- Where existing physical facilities are in place to provide telecommunications services, but are not available in a sufficient amount to provision an unbundled loop.

As described in more detail below, SBC/Ameritech will provide applicable notifications to the CLEC within 24 and 72 business hours of the firm order confirmation.

1. Integrated Digital Loop Carrier (IDLC)/Remote Switching Units(RSU)

CLECs are notified through the IDLC/RSU Notification process when the requested service is provisioned through IDLC or RSU and no spare physical loops are available. This notification is provided only when all other alternatives to provision the requested UNE have been exhausted. These alternatives include looking for spare cooper facilities and making simple facility modifications. In addition, complex modifications will be pursued in an effort to provision the order. Examples of complex facility modifications that are attempted before a CLEC is notified of an IDLC/RSU situation are listed under the Associated Charges for Facility Modification by UNE section of this Policy.

In IDLC/RSU situations where no other facility modifications can be made, construction work is required to provide the requested facilities. The work will be done at an additional charge to the CLEC, upon CLEC authorization. As an alternative, Ameritech offers unbundled sub-loops consistent with existing regulations.

SBC/Ameritech will develop a quote for the necessary construction work and will provide that quote to the CLEC within a target of 15 to 21 days or a

request but no later than 30 days of CLEC authorization to proceed with the quote process.

2. New Build

The New Build process in this policy is designed to address only those situations where there is no telecommunications system in place. Construction of a new telecommunications system to a physical location is required because there are **no existing physical facilities in place or planned to be in place to provide telecommunications services to SBC/Ameritech retail or wholesale services.**

Orders for Unbundled Network Elements (UNEs) where no facilities exist because of "New Build" situations will be sent back to the CLEC with a notice requesting the CLEC order services to the new location utilizing the current retail construction policies relating to new buildings, business, and residential developments

"Greenfield" situation examples:

- New building or buildings
- New business or residential development

Construction of a new building -- No telecommunications systems exist to the new building location

Therefore,

- The "Existing Facilities Modification Policy" does not apply
- The building developer (CLEC can be considered developer) or owner negotiates with SBC/Ameritech retail division to have network telecommunications systems brought into the new building
- Once telecommunications facilities into the building are available for service, CLECs can issue orders for UNEs to the new building

Construction of a new business development -- No telecommunications systems exist

Therefore,

- The "Existing Facilities Modification Policy" does not apply
- The building developer (CLEC can be considered developer) or owner negotiates with SBC/Ameritech retail division to have network telecommunications systems brought into the new business development

- Once telecommunications facilities into the development are available for service, CLECs can issue orders for UNEs to the new building development

Associated charges for facility modifications by UNE:

The following table identifies when charges will or will not apply as a result of the Facility Modification Policy:

Service	Simple Modification	Complex Modification
Voice Grade	No Separate Charge	No Separate Charge
ISDN, DSL, & DS-1 Loops	No Separate Charge	Conditioning Charges May Apply
Non-Typical Residential ¹	No Separate Charge	Conditioning and other Complex Modification Charges may apply
DS-3/OCN Loops	No Separate Charge	Complex Modification Charges may apply ²

Charges in IDLC/RSU Situations: In IDLC /RSU situations where no other facility modifications can be made, construction work is required to provide the requested facilities. The work will be done at an additional charge to the CLEC, upon CLEC authorization.

Conditioning Includes:

- Detaching a Loop from Bridge Taps, Loads, and Low Pass Filters
- Addition or Removal of Repeaters

Other Complex Modifications Include:

- Placing or Rearranging Cable
- Removal of Multiples (Half Taps)
- Placing Terminal or Apparatus Case
- Activating Pairs at Existing Terminal
- Placing Pair Gain Device
- Expanding Existing Electronics
- Modification of Underground or Buried Facilities

¹ Non-Typical Residential service is a request for 6+ voice grade, DSL, or ISDN loops or a request for data, i.e. DS-3, DS-1, 64K, 56K or ISDN-PRI in a residential area.

² This work may include the installation of new electronics to expand capacity.

Policy Guidelines

- Where any additional equipment, media or other facility must be added, SBC/AMERITECH will select the medium, equipment and facility.
- Where this policy indicates there is no separate charge, SBC/AMERITECH reserves the right to review its cost studies and prices and seek recovery through revisions to its recurring prices for any costs not included in those prices.
- SBC/AMERITECH believes Simple and Complex Modification and New Build work goes beyond our obligation under the law. However, SBC/AMERITECH currently plans to implement this policy.
- All changes to this policy will follow existing change management procedures consistent with current practice utilizing the CLEC User Forum.
- This new policy is still before various state commissions in pending proceedings and may need to be revised at a later date. Nonetheless, SBC/Ameritech are providing these improvements now rather than waiting for the proceedings to end.

Performance Measures

New performance measures that relate to this policy have been developed and went into effect with February 2001 data.

Facilities Modification Telecommunications Process

The following is an overview of the telecommunications process that will take place between a Competitive Local Exchange Carrier and SBC/Ameritech under the new UNE Facilities Modification Policy effective May 2001. (Process flow charts, detailed process descriptions and Forms A -E are attached.)

The overall goal of the telecommunications process guidelines:

- Establish clear, concise, and timely notifications of UNE order status to CLEC and SBC/Ameritech organizations working to provision UNE orders

1. CLEC issues order for an Unbundled Network Element (UNE) to SBC/Ameritech Local Service Center (LSC) <ul style="list-style-type: none">• LSC issues service order through company systems to Network Services• LSC sends a Firm Order Confirmation (FOC) concerning the CLEC UNE Loop order	<u>FOC is issued by LSC consistent with existing FOC intervals</u>
--	--

<p>2. Network Operations begins UNE order provisioning processes</p> <ul style="list-style-type: none"> • Network operations provisioning processes evaluate the availability of facilities • Voice Grade and Digital Loop provisioning processes • Digital Unbundled Transport provisioning processes • Network operations evaluation finds that a "No Facilities Available" situation exists 	<p><u>Evaluations begins after initial FOC</u></p>
<p>3. If a potential "no facilities" situation is determined:</p> <ul style="list-style-type: none"> • LSC sends <u>Facility Modification Delay Notification</u>³ (Form A) containing the following message: <p><i>This notification is alerting you of a potential delay occurring for the above order(s). The order(s) may require work beyond Simple Modifications. More specific details will be provided within 72 business hours.</i></p> <p>Delay Notification <u>does not</u> contain a due date</p>	<p>Target time to deliver <u>Facility Modification Delay Notification</u> is 24 business hours⁴ from Initial FOC</p>
<p>4. If facilities can be made available through a simple modification, which was determined after the CLEC received Form A, CLEC will be notified through a <u>Facility Update Notification</u> (Form D). If a CLEC receives Form D on the day prior to due date for a Coordinated Hot Cut order and the order has been submitted on a cut sheet, the CLEC has two options:</p> <ul style="list-style-type: none"> - If the original due date is still desired and the Form D has been received by the CLEC then the order will be scheduled as indicated on the cut sheet - If a new due date is desired the CLEC should supplement the original order and the order will be assigned a new due date based on best available. 	<p><u>Target time to deliver Facility Update is day prior to due date</u></p>
<p>5. Network operations determines complex modification classification or that construction is needed to provision UNE</p> <p>Network operations sends notification of whether the facility work required is Complex, IDLC served, or New Build to the LSC. LSC forwards the appropriate notification to the CLEC <u>Complex Facility Modification Notification</u> (Form B), <u>IDLC/RSU Notification</u> (Form C), or <u>New Build Notification</u> (Form E).</p>	

³ Currently Forms A-E are sent via fax and e-mail. SBC/Ameritech has been able to send these forms via email to those CLEC's that supplied an e-mail address to their Account Manager. SBC/Ameritech is currently unable to send these forms via EDI and does not have a date by which we will be able to do so.

⁴ Business hours are defined, for purposes of this policy, as continuous hours starting Monday 8:00am CT and ending Friday 5:00pm CT, excluding holidays.

Exception: If the service requested is a Non-Typical Residential service, the request will be forwarded to the SBC/Ameritech Customer Growth Group (CGG) for processing. The SBC/Ameritech CGG will contact the CLEC regarding the Non-Typical Residential request, instead of the LSC and will provide a form⁵ that will describe the additional work required and the associated charges.

Complex Facility Modification Notification, Form B
contains:

1. Complex Modifications at No Charge Service

In this case SBC/Ameritech will have determined that the Service Order does not have available facilities but facilities will be made available at no cost to the customer. SBC/Ameritech will proceed with the modifications to be completed on the following due date _____ unless notified to cancel the order. No further action required. If CLEC requires change or cancellation, a supplemental or cancellation order must be issued.

2. Complex Modifications that will have charges associated with the modifications:

In this case SBC/Ameritech will have determined that the Service Order does not have available facilities. However, there will be a charge to complete the Complex Modification. SBC/Ameritech will modify current facilities to provision the CLECS order once the CLEC agrees to the identified charges.

Message will also contain a request to CLEC to confirm receipt of message by either accepting or rejecting the terms of the offer.

Integrated Digital Loop Carrier (IDLC) and Remote Switching Unit (RSU) Notification, Form C contains:

SBC/Ameritech is sending this form as formal notification that there are no spare physical loops to provision the requested service order.

In order to proceed with this request, construction work is required to provide the necessary facilities.

Target time to deliver Complex Facility Modification Notification is within 72 business hours of Facility Modification Delay Notification

CLEC accept/reject response required in 10 business days⁶

Target time to deliver Integrated Digital Loop Carrier (IDLC) and Remote Switching Unit (RSU) Notification is within 72

⁵ Inclusion of the AM 40881 in the attachments has been included in the policy based on CLEC's requests

⁶ The interval for CLECs to respond to notifications has been increased based on CLECs requests

<p><i>This construction work can/may be completed at additional cost. SBC/Ameritech will provide a quote of what the additional charges will be within 30 days of receipt of this authorization.</i></p> <p>The Service Order will be held open pending receipt of the signed Form C requesting a quote for the work.</p> <p><u>New Build/Non-Typical Residential Notification, Form E</u> contains:</p> <p><i>SBC/Ameritech has determined that Service Order ##### does not have existing facilities. SBC/AMERITECH is offering to work with you to determine how to provision your order. Please contact your local account team to discuss possible solutions.</i></p> <p>This Service Order will be cancelled.</p> <p>If there is an existing planned project to build facilities in the area, the expected completion date will be included on this Form E</p>	<p>business hours of <u>Facility Modification Delay Notification</u></p> <p><u>IDLC/RSU quotes are targeted for 15 to 21 days of request, but no later than 30 days of request</u></p> <p><u>CLEC required to respond within 10 business days</u></p> <p>Target time to deliver <u>New Build Notification</u> is within 72 business hours of <u>Facility Modification Delay Notification</u></p>
<p>6. CLEC evaluates Facilities Modification Required Message and sends Facilities Modification Accept/Reject message to LSC</p> <p>If CLEC grants permission to proceed LSC sends positive confirmation to Network Operations to proceed with modifications</p> <ul style="list-style-type: none"> • Network Operations implements Facilities Modification Plan • CLEC UNE order is completed on the due date based on interval established in Facilities Modification Required Message <p>If CLEC rejects offer to modify existing facilities, LSC cancels CLEC UNE order</p>	<p><u>CLEC has 10 business days to respond after receiving the quote for charges</u></p>

Modification Classifications

Facilities Modification Classifications are the physical modifications that will be completed to provision a UNE order in a no facilities available situation.

The following chart describes the Complex Modifications that may occur and contains the descriptions that will be used to communicate the work that is being physically completed to provision a UNE order. It is anticipated that there will be situations that will require multiple classifications of modification to be completed to provision an order. New classifications will be added as additional complex situations are identified.

Complex Modification

Classifications	Voice Grade	xDSL	ISDN	Data Sub-Rate (64Kbs & below)	DS-1
Remove Bridge Tap, Loads, Low Pass Filters		X	X	X	X
Remove Repeaters		X		X	X
Add Repeaters			X		
Place Cable	X	X	X	X	X
Cable Rearrangement	X	X	X	X	X
Remove Multiples / (Half-Taps)		X	X	X	X
Activating Pairs at Existing Terminal	X	X	X	X	X
Placing Terminal	X	X	X	X	X
Placing Apparatus Case		X	X	X	X
Placement of Pair Gain Devices	X	X	X	X	X
Expanding Existing Electronics	X	X	X	X	
Modification of Underground or Buried Facilities	X	X	X	X	X



"FMOD Process Flow
Issue 4.doc"



"FMOD Process
Flow(Graphic)Issue 4



"FMOD Farm Letters
Issue 4.doc"