BELLSOUTH

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December 4, 2001

VIA HAND DELIVERY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *Docket to Determine the Compliance of BellSouth Telecommunications, Inc.'s Operations Support Systems with State and Federal Regulations*
Docket No. 01-00362

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of the Revised Redacted Direct Testimony of Milton McElroy, Jr. on behalf of BellSouth. Copies of the enclosed are being provided to counsel of record.

Very truly yours,

Guy Hicks w/permission ch

Guy M. Hicks

GMH:ch
Enclosure

BELLSOUTH TELECOMMUNICATIONS, INC.

REVISED REDACTED DIRECT TESTIMONY OF MILTON MCELROY, JR

BEFORE THE TENNESSEE REGULATORY AUTHORITY

DOCKET NO. 01-00362

DECEMBER 4, 2001

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC., YOUR BUSINESS ADDRESS, AND YOUR EXPERIENCE AND BACKGROUND.

A. My name is Milton McElroy, Jr. I am employed by BellSouth Telecommunications, Inc. ("BellSouth") as a Director, Interconnection Services. In this position, I am responsible for Operations Support Systems ("OSS") Testing across the BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375. I have over 13 years of experience in Engineering and Operations. I earned a Bachelor of Science degree from Clemson University in Civil Engineering in 1988 and a Master's degree in Business Administration from Emory University in 2001. Additionally, I am a registered Professional Engineer in North Carolina, South Carolina and Alabama.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide this Authority with information about the Georgia and Florida OSS testing conducted by KPMG, along with that of regionality testing conducted by PricewaterhouseCoopers ("PwC").

BELLSOUTH'S OSS TESTING

Q. PLEASE DESCRIBE THIRD-PARTY TESTS.

A. The FCC's ("Commission's") New York Order (¶89)[1] emphasizes that commercial or operational readiness can be evidenced in several ways: actual commercial usage, carrier-to-carrier testing, independent third-party testing, and internal testing. The Commission has repeatedly stated that actual commercial usage is the most probative evidence that OSS functions are operationally ready (e.g., New York Order, ¶89). BellSouth's interfaces have been used commercially for several years. As will be shown more fully in the discussion of each interface, the levels of commercial usage alone clearly demonstrate the operational readiness of these interfaces. These interfaces, however, have also been subjected to extensive third-party testing and/or to carrier-to-carrier testing, as will be described below.

In ¶100 of its New York Order, the Commission stated that "the persuasiveness of a third-party review is dependent on the conditions and

[1] *Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act toProvide In-Region, InterLATA Service in the State of New York,* Memorandum Opinion and Order, 15 FCC Rcd 3953 (1999) ("New York Order").

scope of the review." In addition to scope, depth, and surrounding conditions, the following qualities led the Commission "...to treat the conclusions in the KPMG Final Report as persuasive evidence of Bell Atlantic's OSS readiness." These qualities are: independence, military-style testing philosophy, efforts to place themselves in the position of an actual market entrant, and efforts to maintain blindness when possible. The independent third-party test ordered by the Georgia Commission has all of those qualities. I will discuss the independent third-party test in Georgia throughout this testimony.

Q. PLEASE DESCRIBE THE INDEPENDENT THIRD-PARTY TEST ORDERED BY THE GEORGIA COMMISSION.

A. On May 20, 1999, the Georgia Commission issued its Order of Petition for Third-Party testing in Docket No. 8354-U. Based on substantial involvement in the development and operation of BellSouth's electronic interfaces and OSS, the Georgia Commission concluded that a focused third-party audit would be suitable for Georgia. The Georgia Commission determined that the Georgia third-party audit should focus on the specific areas of OSS that had not yet experienced significant commercial usage, and about which competing local exchange carriers ("CLECs") had expressed concerns regarding operational readiness.

As originally conceived, the Georgia third-party test specifically addressed the following elements of BellSouth's OSS infrastructure: electronic

interfaces to the OSS (TAG, EDI, TAFI, ECTA, ODUF, ADUF, CRIS, and CABS[2]); Unbundled Network Elements ("UNE") analog loops (with and without number portability); UNE switched ports; UNE business and residence port-loop combinations; Local Number Portability ("LNP"); all five core OSS processes (pre-ordering, ordering, provisioning, maintenance and repair, and billing); and normal and peak volume testing of the electronic interfaces for pre-ordering, ordering, and maintenance and repair using a representative service mix of resale services and UNE transactions. The Georgia Commission also required an audit of BellSouth's Flow-through Service Request Report for the latest three months of data.

On June 15, 1999, two audit firms, KPMG and Hewlett-Packard, were approved by the Georgia Commission. On June 28, 1999, the Georgia Commission issued an order approving the initial third-party Master Test Plan ("MTP"). I have provided a copy of the MTP as Exhibit MM-1.

On January 12, 2000, the Georgia Commission issued an order requiring BellSouth to initiate additional testing of its OSS. The Supplemental Test Plan ("STP"), provided as Exhibit MM-2, includes: an assessment of the change management process as it applied to the implementation of Release 6.0 (also known as "OSS99"); an evaluation of the current pre-ordering, ordering, and provisioning of xDSL compatible loops; a

[2] TAG (Telecommunications Access Gateway); EDI (Electronic Data Interchange); TAFI (Trouble Analysis Facilitation Interface); ECTA (Electronic Communications Trouble Administration); ODUF (Optional Daily Usage File); ADUF (Access Daily Usage File); CRIS (Customer Record Information System); CABS (Carrier Access Billing System).

functional test of resale pre-ordering, ordering, provisioning, maintenance and repair, and billing transactions for the top 50 electronically orderable retail services available for resale that have not experienced significant commercial usage; and an evaluation of the processes and procedures for the collection and calculation of performance data. Together, the MTP and STP provide a complete description of the processes, systems and procedures used by BellSouth to provide wholesale elements and services to CLECs in Tennessee.

Details of KPMG's evaluation and methods of analysis, and the results of the MTP, the STP, and the Flow-Through Evaluation Plan, are contained in the *Master Test Plan Final Report* ("MTP Final Report"), the *Supplemental Test Plan Final Report* ("STP Final Report"), and the *Flow-Through Evaluation*, which were filed at the Georgia Commission on March 20, 2001. The MTP Final Report, the STP Final Report, and the Flow-Through Evaluation are attached as Exhibits MM-3 through MM-5.

Q. PLEASE PROVIDE THE OUTCOME OF THE THIRD-PARTY TEST IN GEORGIA.

A. KPMG's Final Report was filed with the Georgia Commission on March 20, 2001. In the report, KPMG defines its evaluation criteria as "the norms, benchmarks, standards, guidelines used to evaluate items identified for testing. Evaluation criteria also provided a framework for identification of the scope of tests, and the types of measures that must be

made during testing, and the approach necessary to analyze results." Throughout the test, KPMG analyzed over 1,170 criteria in eight functional areas. KPMG analyzed each criterion, and the results fell into five categories: satisfied, not satisfied, not complete, no result (also known as, "no report"), and not applicable. KPMG determined that 95.5 percent of the criteria were 'satisfied'. 1.8 percent are "not satisfied," 1.5% are "no report," and 0.3% are "not applicable. Eleven criteria (0.9 percent; all metrics) remain categorized as "not complete" at this time.

KPMG tested 420 evaluation criteria related to performance measurements. Of those, 409 criteria are closed and satisfied. As I stated earlier, there are 11 evaluation criteria for metrics that KPMG has not yet reconciled ("not complete criteria"). Work continues on these criteria, and they should fall into either the "satisfied" or "not satisfied" classifications.

Q. PLEASE DESCRIBE THE 'NOT COMPLETE' EVALUATION CRITERIA FROM THE MARCH 20, 2001 FINAL REPORT.

A. As I explained earlier, there currently are 11 evaluation criteria that are "non complete." Since KPMG issued the 'BellSouth – Georgia Evaluation Master Test Plan Final Report' on March 20, 2001, BellSouth has satisfied the following test criteria, and KPMG has issued closure reports to the Georgia PSC:

- O&P 7-6-3
- PMR 2-2-3, 2-2-4, 2-21-3, 2-21-4
- PMR 4-3-1, 4-3-2, 4-4-1, 4-4-2, 4-5-1, 4-5-2

- PMR 4-38-1, 4-39-1

Work continues on the remaining "not complete" evaluation criteria. KPMG is expected to issue a supplemental report on its findings.

Q. PLEASE DESCRIBE THE USE OF THE RSIMMS ENVIRONMENT IN THE THIRD-PARTY TEST.

A. As part of the third-party test, KPMG conducted normal volume and peak volume tests in the Reengineered Services, Installation and Maintenance Management System ("RSIMMS"). RSIMMS emulates the production environment in interoperability and end-to-end (flow-through) testing in support of the functionality that facilitates a CLEC's ability to process the following transaction types on BellSouth's OSS: submit Local Service Requests, receive Functional Acknowledgements, receive Firm Order Confirmations, receive Completion Notices, and receive Rejects, Clarifications, and Service Jeopardies.[3] The purpose of the volume tests was to evaluate BellSouth's OSS associated with specified volumes of pre-ordering and ordering activities. By performing these volume tests, KPMG evaluated BellSouth's ability to accurately and quickly process pre-orders and orders using the EDI and TAG interfaces under "normal" and "peak," year-end 2001 projected transaction load conditions. These volume tests and KPMG's results are detailed in the MTP Final Report in the sections for TAG Normal Volume Pre-Order Performance Test (PRE-4), TAG Peak Volume Pre-Order Performance Test (PRE-5), EDI/TAG Normal Volume Performance

[3] BellSouth's production environment is called "ENCORE."

Test (O&P-3), EDI/TAG Peak Volume Performance Test (O&P-4), EDI/TAG Production Volume Performance Test (O&P-10).

The decision to perform the volume tests in RSIMMS was made in mid-1999 during the development of the MTP. The language describing these tests and the evaluation of the RSIMMS environment against the production environment first appeared in version 2.0 of the MTP (filed with the Georgia Commission in August 1999). This decision was adopted and incorporated into the Introduction section of the MTP. On page II-3, the final version of the MTP states that:

> Normal and peak volume tests will be run against a volume test environment (RSIMMS) developed by BellSouth to support the transaction volumes specified by the test. KPMG will evaluate this environment to determine if the hardware and software configurations mirror those of BellSouth's production systems, except where additional hardware or software resources have been created to support the specified test volume. The entire volume test bed except CRIS is a duplicate of the production system. RSIMMS does access production CRIS.[4]

As directed by the MTP, KPMG compared the RSIMMS environment with the production environment. KPMG described its objective on page 1 of the Appendix to the MTP Final Report of March 20, 2001:

> The objective of the RSIMMS and ENCORE Systems Review was to evaluate the Volume test environment developed by BellSouth – the Reengineered Services, Installation and Maintenance Management System (RSIMMS) – to determine if the hardware and software configurations mirrored those of BellSouth's production system (ENCORE), except where additional hardware or software had been created to support the specified test volume.

[4]The Customer Records Information System ("CRIS") billing system principally produces bills for non-UNE services.

> This review was conducted in parallel to the planning and execution of the volume tests associated with the BellSouth – Georgia OSS Evaluation described in the *Master Test Plan* (PRE-4, PRE-5, OP-3, and OP-4).

Based on its evaluation of RSIMMS and the production environment, KPMG reported in the Appendix to the MTP Final Report, at 5, that

> ...except for specific, preauthorized changes that were made in RSIMMS to support the requirements of the volume test, the applications implemented in the RSIMMS environment mirrored those of BellSouth's ENCORE production system.
>
> Specific changes were made to the RSIMMS environment to support the business volumes required to accomplish KCI's volume test. KCI is not aware of any reasons, and is satisfied, that these same changes could be made to the production environment such that it could support the same volumes as were tested in KCI's volume evaluation.

There are some differences between the hardware used by RSIMMS and that used by the production environment. These differences, as well as the hardware components that are the same, are detailed in the Appendix to the MTP Final report. The RSIMMS and production environments, however, are not defined by their hardware, but by the software applications, such as LENS, TAG, EDI, that run on the hardware. Both the RSIMMS and production environments contain copies of these applications. The sameness of the applications used in both environments was validated by KPMG in its report.

The MTP Final Report directed KPMG to perform five volume tests: two normal volume tests in RSIMMS (PRE-4, O&P-3); two peak volume tests

in RSIMMS (PRE-5, O&P-4), and one volume test in the production environment (O&P-10).

The TAG/EDI "normal" volume test evaluated BellSouth's performance by sending approximately 35,000 orders with 118,000 associated pre-orders on two occasions over a ten-hour period through RSIMMS. The pre-ordering volume test (PRE-4) and ordering volume test (O&P-3) were executed concurrently.[5] The TAG/EDI "peak" volume test evaluated BellSouth's performance by sending approximately 43,000 orders with 118,000 associated pre-orders on two occasions over an eight-hour period through RSIMMS. The pre-ordering volume test (PRE-5) and ordering volume test (O&P-4) were also executed concurrently.[6]

Using the production environment, KPMG tested BellSouth's ability to accurately and quickly process orders and their associated pre-orders using EDI and TAG using the projected year-end 2001 transaction mix in the production environment at then-current system capacity.[7] KPMG sent approximately 7,400 orders with 24,600 associated pre-orders combined with actual live production activity to produce transaction levels of 21,600 orders and 73,400 pre-orders over an eight-hour period. After completing the test, KPMG found that BellSouth had satisfied each of the 21 evaluation criteria associated with this EDI and TAG production performance test. KPMG's production testing confirmed that BellSouth's

[5] See MTP Final Report at V-C-6.
[6] See Version 1.0 Master Test Plan Final Report at V-C-6.
[7] See Version 1.0 Master Test Plan Final Report at V-J-1 (describing ordering volume test (O&P-10)).

EDI and TAG interfaces provide timely Functional Acknowledgements, timely and accurate Firm Order Confirmations, timely and accurate pre-order responses, and accurate order errors and clarifications.

KPMG used the exact same test scenarios for all five volume tests. The common set of scenarios produced a common set of performance results in both the RSIMMS and production environments, thus validating the sameness of functionality between the RSIMMS and production environments.

There was a 38 percent difference in magnitude of volume levels between the production volume test and normal volume tests. The transaction levels of the production volume test were set at the stated capacity level for BellSouth's production environment at the time of the test. These volume levels prove that the production environment was able to handle this load and satisfy all evaluation criteria associated with the third-party test.

Since the third-party test in Georgia concluded, BellSouth has increased the capacity of its production environment. Because of current projections, BellSouth recently has increased the capacity of its production environment. BellSouth has performed routine, ongoing, internal normal, peak, and stress volume tests that have shown that BellSouth's production environment has sufficient capacity. BellSouth's production environment

provides CLECs with sufficient capacity to process current and projected volumes. The following table shows RSIMMS at the time of the third-party test, the production environment (ENCORE) at the end of 2000, and the production environment on June 30, 2001.

Type	Application	RSIMMS2 Georgia 3PT	Production on 12/31/2000	Production on 06/30/2001
Midrange	TAG	3-HP K580	2-HP K570	3-HP K570 1-HP K580 4-HP N4000
	LESOG	2-HP K580	2-HP K370 2-HP N4000	2-HP K370 2-HP N4000 1-HP K580
	LEO/UNIX	1-HP K580	Retired. Functionality moved to Leo/Mainframe	N/A
	LNP	1-HP K360 2-HP K580	3-HP K460	3-HP K460
Mainframe	LEO/Main-frame	(U4SY-Test) Hitachi Skyline – 625 620 Mips - 24% Share	(B2SY) Hitachi CMOS P9-89S 1078 Mips – 35% Share	(B2SY) IBM Freeway 2064-109 1552 Mips – 33% Share
	SOCS, ATLAS, DSAP, RSAG	(U4SY-Test) Hitachi Skyline – 625 620 Mips - 24% Share	(O1SY) Hitachi Skyline – 727 878 Mips – 100% Share	(O1SY) IBM Freeway – 2064-1C8 1615 Mips - 83% Share
	BOCRIS, COFFI	(O1SY-Production) Hitachi Skyline – 727 878 Mips – 100% Share	(O1SY) Hitachi Skyline – 727 878 Mips – 100% Share	(O1SY) IBM Freeway – 2064-1C8 1615 Mips - 83% Share
	P/SIMS	(D2SY-Production) Hitachi (HDS) P8-98S 846 Mips – 60% Share	(D2SY) Hitachi CMOS P8-98S 846 Mips – 60% Share	(D2SY) IBM Freeway – 2064-108 1443 Mips - 35% Share

Q. PLEASE PROVIDE A COMPARISON OF THE GEORGIA THIRD-PARTY TEST WITH OSS TESTS FROM OTHER STATES.

A. To be sure, the test conducted in Georgia is different in scope from third-party OSS tests conducted in other states, as the CLECs have pointed out. Such differences, however, are expected, as is evident from the FCC's Section 271 decisions, wherein the FCC has rejected any "cookie cutter" approach to third-party OSS tests. (*See Texas Order* ¶103 rejecting argument that Southwestern Bell Telephone Company's 271 application is "inadequate" because "the third-party test in Texas was less comprehensive than the test executed by KPMG in New York, with respect to the Bell Atlantic Section 271 process".) The scope of the third-party OSS test in New York was different from the scope of the Texas test, which was different from the scope of the third-party test in Massachusetts. In short, that the Georgia test was different by design from other third-party OSS tests does not detract from the usefulness of the Georgia test.

Nevertheless, the Georgia test is comparable in scope to the third-party tests conducted in New York and Texas, both of which received 271 approval. The similarities and differences between the Georgia test and those in New York and Texas can be seen in Exhibit MM-8. The Georgia test included the same functionality review of OSS Business processes as New York and Texas. In addition, all three tests assess OSS scalability. All three tests included normal volume and peak testing of the interfaces. Moreover, the Georgia test reviewed

all documentation for maintenance, updates and communication, as did New York and Texas. Like New York and Texas, the Georgia test assessed change management (including the notice and completion intervals), release versioning policy, defect management process, and OSS interface development review. All three tests included functional testing of pre-ordering and ordering. All three tests provisioned orders, evaluated provisioning processes, and tested the performance of specific provisioning measures. Georgia and New York tested basic functionalities of Maintenance and Repair (M&R), and included an M&R process parity evaluation. In some cases, the Georgia test went beyond the tests in New York and Texas. For example, the Georgia test included manual ordering for xDSL loops while the New York test did not. Moreover, the Georgia test included a more extensive performance metrics evaluation than tests from either New York or Texas.

The Georgia test meets all of the criteria established by the FCC in its decision on Bell Atlantic's New York application. Specifically, in the Georgia test, like the New York test, KPMG was an independent tester, conducted a military-style test, made efforts to place itself in the position of an actual market entrant, and made efforts to maintain blindness when possible. In compliance with FCC decisions, the Georgia test is a focused test that appropriately concentrates on the specific areas of BellSouth's OSS that had not experienced significant commercial usage.

Q. PLEASE PROVIDE A COMPARISON OF THE GEORGIA AND FLORIDA THIRD-PARTY TESTS.

A. The CLECs, particularly AT&T, complained extensively about the scope of the third-party test in Georgia, often comparing it with tests that have or are taking place in other states. When reading these witnesses' statements, it is easy to forget that the test that was ordered by the Georgia Commission was the test that was executed by KPMG – and that the very CLECs that are now complaining had ample opportunity to participate in the design and execution of this Georgia test, as I discussed earlier.

These witnesses implied that the differences between Florida and Georgia, in and of themselves, make the Georgia test invalid. This is not the case. Instead, the differences merely reflect that the scope of the Georgia test differs from the scope of the Florida test. A comparison of the Georgia and Florida tests can be seen in Exhibit MM-11. As I discussed earlier, the Commission has specifically rejected the suggestion by CLECs that third-party tests should follow a "cookie cutter" pattern. KPMG completed and concluded the test in Georgia based upon the scope of that test as ordered by the Georgia Commission. Exhibit MM-11 provides a review of the processes, systems and procedures used by BellSouth to support CLEC wholesale activities across Tennessee, Georgia and Florida. The only system difference is one between the Direct Order Entry ("DOE") and

Service Order Negotiation ("SONGS") systems, and that difference will be discussed in depth in the Regionality section later in this testimony.

Q. PLEASE DESCRIBE PARITY OF PERFORMANCE.

A. In other state 271 proceedings, CLECs complain that the Georgia third-party test did not measure BellSouth's parity of performance. The Georgia Commission and the FCC have established that parity is evaluated by reviewing the RBOC wholesale performance results against its retail analogs. If the performance results show that an RBOC serves its CLECs with same level of service as it serves itself or its retail customers, then a further process parity evaluation would be irrelevant. This is the same method of proof that was used in the New York, Texas, and Massachusetts third-party tests.

The Georgia test has the most comprehensive performance metrics evaluation of all the tests performed so far by any state. It contains 430 evaluation criteria against 48 in New York and 126 in Massachusetts.

Q. PLEASE DESCRIBE THIRD-PARTY TESTING OF INTERFACES.

A. Allegations are made by the CLECs, primarily AT&T, that the Georgia test is incomplete as it related to electronic interfaces testing because it reviewed

versions that pre-dated the OSS99 release and did not review any versions of certain other interfaces. This complaint exemplifies the fact that the CLECs will never agree that it is time to review BellSouth's compliance with the Act. Instead, the CLECs will always argue that there is some change in the industry that necessitates delay. From the CLECs' perspective, this is a foolproof strategy because the telecommunications industry is always changing – new technology, new products, and new competitors. BellSouth's (and other RBOCs') interfaces and systems are constantly evolving. Internal, regulatory, and even CLEC-driven changes are incorporated into the systems to increase system functionality and performance. To argue that the Authority should wait for the change to stop is to argue that the Authority should never move forward.

A third-party test, by its nature, must test a snapshot in time. BellSouth enhanced its OSS during the Georgia test, and is enhancing its OSS during the Florida test. The fact that things change during or after the test does not alleviate the probative value of the test – that BellSouth provides adequate access, functionality, and performance to CLECs. The fact that the systems have evolved since the Georgia test should not impact this Authority's use of the test. Otherwise, no third-party test would ever have value.

Moreover, with respect to OSS99, KPMG tested the OSS99 change management pursuant to the STP in the Georgia test. Among other things, the STP was designed to assess the electronic interface change control process as applied to the implementation of OSS99. KPMG examined the methods and procedures that BellSouth used to develop and release the OSS99 applications

package and supporting documentation (CM-2). KPMG found that BellSouth satisfied all of the test criteria for change management, including OSS99.

AT&T further complains that BellSouth did not test LENS or RoboTAG™. That these were not tested to the CLECs' satisfaction does not automatically make the third-party test in Georgia insufficient.

Q. PLEASE DESCRIBE THE THIRD-PARTY TESTING OF CHANGE MANAGEMENT IN GEORGIA.

A. Evaluation criteria CM 1-1-2 focused upon the essential elements of the change management process and its documentation. CM 1-1-3 focused upon the change management process framework to evaluate, categorize, and prioritize proposed changes. CM 1-1-5 states that, "the change management's process has clearly defined reasonable intervals for considering and notifying customers about proposed changes."

To reiterate, the majority of the CLECs' complaints stem from the fact that the scope of the tests in Georgia and Florida are different. As discussed above, there is no inherent fault in that fact. It does indicate that BellSouth's change management plan continues to evolve, and there is nothing particularly new or controversial about an evolving change management process. The requirements of the change

management will continue to evolve. New intervals and processes to improve change management will be developed and implemented.

Q. PLEASE DESCRIBE THIRD-PARTY TESTING OF THE TEST ENVIRONMENTS.

A. As part of the third-party test in Georgia, KPMG evaluated this environment and found it satisfactory. (MTP Final Report, CM-2-1-6 to CM-2-1-8, at VII-A-23 to VII-A-28) KPMG evaluated BellSouth (evaluation criterion CM-2-1-6) to determine if "[f]unctioning testing environments were made available to customers for all supported interfaces." KPMG evaluated BellSouth (evaluation criterion CM-2-1-7) to determine if "[c]arrier-to-carrier test environments were stable and segregated from [BellSouth] production and development environments." KPMG evaluated BellSouth (evaluation criterion CM-2-1-8) to determine if "BellSouth provided telephone customer support for interface testing to the CLECs (with on-call support available 24 hours a day, seven days a week for emergencies)." In this environment, CLECs perform required testing, such as those that occur when a CLEC is shifting from a manual to an electronic environment, or when the CLEC is upgrading its electronic interface from one industry standard to the next.

Q. PLEASE DESCRIBE THIRD-PARTY TEST EVALUATION OF FLOW-THROUGH.

A. KPMG started its flow-through audit in Georgia by using BellSouth's flow-through reports September through November 1999, because they were the most current reports at the time the audit began. As KPMG indicated, they also used BellSouth's flow-through reports of February 2000 and October 2000,which contained the changes that BellSouth had made in response to KPMG's findings.

KPMG did not evaluate the accuracy of BellSouth's "retail" flow-through rate because it was not within the scope of the evaluation, which was designed to assess the degree to which LSRs submitted by CLECs would flow through.

Q. THERE HAVE BEEN COMMENTS FILED INDICATING PREFERENTIAL TREATMENT MAY HAVE BEEN GIVEN TO CLECS IN GEORGIA AND FLORIDA IN AN EFFORT TO SKEW THE RESULTS OF THE THIRD-PARTY TEST RESULTS. HAS KPMG BEEN ASKED ABOUT THE ISSUE OF PREFERENTIAL TREATMENT?

A. Yes. In AT&T's second set of interrogatories to KPMG in the North Carolina 271 proceeding, AT&T posed three questions to KPMG. Those questions and KPMG's responses can be found in Exhibit MM-7.

Q. WAS KPMG ASKED WHAT IMPACT THERE WOULD HAVE BEEN IF BELLSOUTH HAD PROVIDED A HIGHER PRIORITY OF PROCESSING PARTIALLY MECHANIZED OR MANUAL LSRS FOR KPMG DURING THE GEORGIA AND FLORIDA TESTS?

A. Yes. In response to question three of AT&T's second set of interrogatories, KPMG concluded that the only limited impact on the test there "would be a potential impact on the values observed in evaluation of the timeliness of responses associated with the partially mechanized and manual requests."

Q. PLEASE PROVIDE DETAIL ABOUT BELLSOUTH'S INVESTIGATION OF THE ISSUE OF PROVIDING PREFERENTIAL TREATMENT TO REQUESTS DURING THE GEORGIA AND FLORIDA THIRD-PARTY TESTS.

A. First, please allow me to provide some additional background on this issue. The OSS test in Georgia consisted of two fundamental types of testing, transaction-based testing and operational testing. These two test types are explained beginning on page II-5 of the MTP Final Report. (See Exhibit MM-3) One of the goals of transaction-based testing was for the KPMG pseudo-CLEC to "live the CLEC experience." While this certainly is and was an appropriate goal, it must be viewed in the context of the environment in which testing is conducted. More specifically, it should be understood that the structure and the nature of the third-party testing process makes it difficult for the third-party test CLEC to truly live a normal CLEC's experience with BellSouth.

For example, when BellSouth initiates its relationship with a normal CLEC, there is a customer initiation process whereby BellSouth seeks to learn about the CLEC's business, what types of products and services the CLEC will be providing, where the services will be provided, and when the CLEC will begin