

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

DOCKET NO. 02M-259T

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IN THE MATTER OF QWEST CORPORATION'S COLORADO PERFORMANCE  
ASSURANCE PLAN.

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**ORDER APPROVING ANNUAL AUDIT**

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Mailed Date: January 4, 2005  
Adopted Date: December 15, 2004

**I. BY THE COMMISSION**

**A. Statement**

1. On September 9, 2004, NorthStar Consulting Group and Vantage Consulting, Inc. (collectively the Auditor or IA), filed the Final Report of Qwest Corporation's (Qwest) Colorado Performance Assurance Plan (CPAP) 2003 Annual Audit (Annual Audit). This Annual Audit is governed by the provisions found in §§ 14.6 and 14.7 of the CPAP. Specifically, § 14.6 states:

An independent audit of the results of the performance sub-measures identified in Appendix A and the financial payments calculated based upon Qwest's performance results shall be performed annually.

The audit shall include at least the following: 1) problem areas requiring further oversight as identified in the previous audits(s); 2) and sub-measures changed or being changed from a manual to electronic system; 3) the accuracy of the measurements and reports designated in Tier 1A; 4) sub-measures responsible for 80% of the payments paid by Qwest over the prior year (to the extent they are not covered by the Tier 1A audit); and 5) whether Qwest is exercising a proper duty of care in evaluating which, if any, performance results can be properly excluded from its wholesale performance requirements.

2. Section 14.7 of the CPAP allows the auditor to evaluate whether a thorough scrutiny of Qwest's measurement and reporting system is necessary to determine that the system

is reliable. The Independent Auditor determined, after a preliminary audit of ten metrics and additional analysis, that a comprehensive audit was not necessary. This analysis and decision is discussed in Chapter 3 of the Annual Audit.

3. In general, the IA states that no significant or fatal problems were discovered with the CPAP, however the Annual Audit does point to a number of small problems or potential concerns. The IA makes 58 recommendations throughout the audit to address these issues.

4. On October 22, 2004, DIECA Communications, Inc., doing business as Covad Communications Company (Covad) and MCI, Inc. (MCI), jointly filed comments on the Annual Audit. In these comments, Covad and MCI state that it should not be taken lightly that the Auditor had been provided the exact means to replicate Qwest's results and yet the Annual Audit reveals that the Auditor had trouble replicating reported results. Covad and MCI believe that any variance from Qwest's reported results should not have occurred given the Auditor's direct access to data sources.

5. Covad and MCI also raise concerns about further analysis that needs to be performed by the IA in certain areas including: 1) maintenance and repair performance measures; 2) preorder measures; 3) unbundled loop measures requiring manually input data; 4) billing metrics for analysis of "bunching"; and 5) local number portability. Covad and MCI recommend that additional work be performed on each of these areas such that corrective measures are not only identified but implemented by Qwest as well.

6. Additionally, Covad and MCI suggest that Qwest be required to establish a process to consider whether manual processes should be mechanized whenever feasible. The commentors state that while the Auditor reviewed Qwest's manual to mechanize changes, it did

not make a recommendation that such manual processes should be reviewed on a regular basis to determine whether mechanization is appropriate.

7. Covad and MCI also recommend that Qwest identify whether any performance measurement exclusions have been eliminated due to system enhancements.

8. Finally, concerning the Auditor's 58 recommendations, Covad and MCI recommend that Qwest be required to report back to the Auditor when recommended changes are implemented so that the Auditor can verify compliance.

9. Qwest also provided comments on the Annual Audit. Qwest attached a matrix to its comments that reflects Qwest's response to the 58 specific recommendations in the Annual Audit. Generally, Qwest states that it has implemented many of the changes recommended by the IA. However, Qwest opposes the auditing of items that, in Qwest's estimation, are outside the scope of the audit as defined in the CPAP. Qwest has identified these items in its matrix.

10. Qwest requests that the Commission adopt the general conclusion of the Independent Auditor and eliminate those recommendations that pertain to items outside the scope of the Annual Audit.

11. On December 13, 2004, the Independent Auditor filed two documents with the Commission. The first filing is the IA's Response to the Parties' Comments on the Annual Audit (IA's Response). The second filing is the IA's Clarification regarding the Annual Audit (IA's Clarification). The IA's Response first addresses the comments made by Covad and MCI. In response to the comments concerning the difficulty of matching the data results between the IA and Qwest, the Auditor states that these clauses found in the Annual Audit do not mean much when taken out of context. It states that the conclusion cannot be drawn that Qwest's reported

results are inaccurate. Generally, one must read these statements in the entire context of the section of the Annual Audit that includes the specific nature of each issue.

12. Regarding Covad's and MCI's concern about the implementation of corrective actions by Qwest, the Auditor responds that § 14.6 of the CPAP directs the Auditor to readdress all issues that arose in the previous audit. Therefore, the 2004 audit plan will detail the steps necessary to resolve the issues identified in the 2003 audit.

13. Finally, concerning Covad and MCI's recommendation that Qwest be required to implement a process to review manual processes for mechanization, the Auditor states that there is no requirement that Qwest convert all manual processes to mechanized ones whenever feasible. However, as Qwest does convert from manual to mechanized processes, any affected measurements will be included in the annual audit.

14. In response to Qwest's contention in its comments that certain recommendations regarding reconciliation are outside the scope of the Annual Audit, the Auditor states that its recommendations for reconciliation and validation are not based on settling a dispute between Qwest and a competitor as found in §§ 13.7, 13.8, 13.9, and 14.5. Rather, the Auditor reached a decision that certain performance results can only be accomplished through the methods recommended by the 2003 Annual Audit. The IA does not consider this effort to be outside the scope of the CPAP.

15. The Auditor also addresses Qwest's concerns that many issues have already been resolved or will be resolved by the start of the 2004 Annual Audit. The Auditor states that it will include in its 2004 work plan audit steps to ensure that these recommendations have been properly and effectively implemented.

16. In order to properly match audited results with Qwest's reported results when a code change has occurred, the Auditor suggests that Qwest adequately document any changes in results due to code changes throughout the year, so there is no confusion regarding what is originally published and the final results.

17. Finally, the Auditor refers to Qwest's comments on some of the IA's recommendations that a number of them were too cumbersome to justify any benefit received through implementation. The Auditor states that it will review these recommendations as part of its 2004 work plan to determine whether Qwest's objections have any merit.

18. In the IA's Clarification, it reiterates that the use of the term "reconciliation" in the Annual Audit does not refer to a data reconciliation as contemplated as occurring between a competitive local exchange carrier (CLEC) and Qwest when a discrepancy in results arises. Rather, the Auditor envisions obtaining information from a competitor as to one particular key data field, such as the commitment date, that can then be compared to the data that Qwest input for that field.

19. We generally approve and accept the Annual Audit of NorthStar/Vantage. Attached to this decision is a matrix that addresses the 58 recommendations individually with our decision on each. We believe that this decision matrix will be easier for parties and the Auditor to understand as opposed to a normal paragraph-style decision. We believe that these separate decisions also address Covad and MCI's concerns regarding follow-through with verification that Qwest has implemented the recommended action items. Generally, the Auditor is ordered to verify Qwest's implementation when necessary. However, we do agree with the Auditor's statement in its Response that § 14.6 of the CPAP calls for a review of all issues found in 2003 to happen in the 2004 audit.

20. In addition, our specific decisions address Qwest's contention that certain recommendations exceed the scope of an annual audit. We agree with the Auditor that the reconciliation contemplated in the Annual Audit for 2004 is not the same as the CLEC reconciliation described in the CPAP. We find that the only way for the IA to verify that certain data fields are accurately reported by Qwest is to compare Qwest's data with the original data from a competitor. We point the Auditor and Qwest to the decision matrix for specific issues for which we believe this reconciliation is appropriate.

21. Finally, we applaud both the Independent Monitor as well as Qwest on the completion of a daunting first Annual Audit. It is our hope that the attention to detail and diligence with which this audit was performed will make the future annual audits easier to perform and evaluate.

## **II. ORDER**

### **A. The Commission Orders That:**

1. The Final Report of Qwest Corporation's Colorado Performance Assurance Plan 2003 Annual Audit is approved. The 58 specific decisions found in the attachment to this Order are made part of this Decision.

2. The 20-day period provided by § 40-6-114(1), C.R.S., to file an application for rehearing, reargument, or reconsideration shall begin on the first day after the effective date of this Order.

3. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING  
December 15, 2004.**

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

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Commissioners