



*SUPPLIER QUALITY
CERTIFICATION*

*OPERATING
AGREEMENT*

*US WEST/AT&T
10/5/92*

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**ACCESS BILLING SUPPLIER
QUALITY CERTIFICATION
OPERATING AGREEMENT**

This Agreement is made and entered into effective October 5, 1992, by and between American Telephone and Telegraph Company, on behalf of itself and its affiliated AT&T Communications companies, with the exception of AT&T EasyLink Services, (individually and collectively "AT&T"), and U S WEST Communications, Inc. ("U S WEST"). AT&T and U S WEST are each referred to as a "Party" and are collectively referred to as the "Parties."

WHEREAS, the Parties acknowledge that the access billing verification process, as historically conducted, requires significant expenditures by both Parties in discovering, analyzing and correcting billing errors; and

WHEREAS, the Parties acknowledge that it is desirable to transform the access billing verification process from a post billing error correction process to a pre-billing certification process in which U S WEST assumes responsibility for producing an accurate and current access bill; and

WHEREAS, the Parties acknowledge that it is desirable for AT&T to move from the current post-receipt access bill analysis and verification process to one ensuring that U S WEST implements the control mechanisms and procedures to render an error-free bill that accurately reflects the services that AT&T ordered and used; and

WHEREAS, the Parties acknowledge that there are mutual financial and other significant benefits to be derived from implementing an Access Billing Supplier Quality Certification Operating Agreement; and

WHEREAS, the Parties agree to adhere to the operational methodology set forth in this Agreement and in those working arrangements referenced as part of this Agreement so that the Parties can move quickly from post-billing error correction activities to an environment of pre-billing error prevention activities;

NOW, THEREFORE, in consideration of the terms and conditions contained herein, the Parties hereby covenant and agree as follows:

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1. SETTLEMENT OF PRIOR BILLING

The Parties acknowledge that they have entered into Billing Agreements -- dated September 4, 1992 for Switched access and April 24, 1991 for Special access. These Billing Agreements are annexed hereto as Attachments "A" and "B". The Billing Agreements are intended to identify and mutually resolve all known billing discrepancies and disputes to a particular date. It is the intent of AT&T, based on the Billing Agreements, that no claims will be initiated for any access service provided prior to the boundary dates set forth in these agreements. These dates are May 31, 1992 for Switched and June 30, 1992 for Special access. It is the intent of U S West to avoid any backbilling for any access service provided prior to May 31, 1992, the boundary date for Switched access and June 30, 1992, the boundary date for Special access. The Parties agree that either backbilling or credit adjustments after the boundary dates will be resolved pursuant to the procedure set forth in Sections 6 and 9 of this Agreement. It is the intent of the Parties that any issues which are expressly excluded from the Billing Agreements will be resolved in accordance with Section 9 of this Agreement. The Parties will hereafter enter into subsequent billing agreements that will move the boundary dates to a more current timeline. Such subsequent billing agreements, hereinafter referred to as Bill Period Closure Agreements, will become annexed and become a part of this Agreement. This process will be referred to as Bill Period Closure and is intended to be the methodology by which AT&T and U S WEST will jointly close a specified billing period from further financial transactions and analysis. The Bill Period Closure Agreement, including the Bill Period Closure Agreement Supplement, will be found in Attachment "I".

2. FACTOR APPLICATIONS

The parties agree that factors are to be used in the switched access billing process only when the actual usage volume is unavailable at a sufficiently disaggregated level to represent the detail required to rate calls for access billing in accordance with the applicable access tariffs. Accordingly, AT&T and U S WEST have entered into an agreement that sets forth the Parties' responsibilities as well as the methods and procedures which describe the development and use of the switched access billing factors. That agreement is annexed hereto as Attachment "C".

3. CONTROL STRUCTURE

The control structure to be utilized for Switched access to provide billing quality assurance for the access billing process will be a control matrix that reflects the

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controls implemented to respond to the Parties expectations established by the Business Rules. In addition, an evidence matrix will be established to define the output of the controls and other evidence sources such as documentation, supervisory approval, reports, and measurements. The control and evidence matrix which is described in the Symphony Document Book I will be the basis for certification review of the Switched access billing process.

4. CERTIFICATION

A. The Parties agree that in order to ensure the proper performance and the integrity of the entire access billing process, a certification of that process is essential. Accordingly, AT&T and U S WEST agree to follow the process and methodology for certification set forth in Attachment "D" which is annexed hereto. This process and methodology is to be used to certify or re-certify the access billing process.

B. The Parties agree that the scope of the certification and re-certification process will be limited to the access billing process as defined in Attachment "E" of this Agreement for Switched access, in addition to the control and evidence matrix described in Symphony Document Book I. The scope of the certification for Special access is defined in Attachment "F" in addition to the requirements defined in Section 1 of the Symmetry Methods and Procedures for Special access. The U S WEST reference material is hereinafter referred to as the Symphony Handbook for Switched access and the Symmetry Methods and Procedures for Special access.

C. The Parties acknowledge that the initial certification process for the Special access billing process has been completed as of the effective date of this Agreement. An initial certification of the Switched access billing process must be completed before the Switched access billing process can be considered to be covered by the terms of this Agreement. The Parties agree that the initial certification process for Switched access will be performed by the Parties. The Parties agree that billing adjustments and control mechanisms may be required as a result of this certification process and that such adjustments and control mechanisms will be implemented.

D. The Parties agree that the Switched access and Special access process should be re-certified on an annual basis. As part of the initial re-certification process, U S WEST shall arrange for its independent certified public accountants to provide to the Parties, in connection with the annual examination of U S WEST's financial statements, a supplemental report on its examination of an assertion of U S West that describes the performance of its Special and Switched Access Billing process with respect to the specified objectives and requirements agreed

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to by U S West and AT&T no later than December 31, 1993. By mutual consent of the Parties, for every year ending December 31st thereafter, or for periods mutually agreed upon by the Parties, the Switched access and Special access process will be re-certified by either the Parties or the independent certified public accountants. The purpose of this independent review is to determine if the specific objectives and requirements defined in Attachment "D" of this Agreement pertaining to the access billing process have been met. The cost of this independent review will be shared equally by the Parties. This report must be prepared in accordance with standards established by the American Institute of Certified Public Accountants (AICPA) and be provided to the Parties, at the addresses indicated in Section 11 of this Agreement, no later than 90 days after the end of the review period.

E. The Parties agree that billing adjustments and control mechanisms may be required as a result of the re-certification process. Observations and weaknesses identified during the review and included in the supplemental report shall be provided to the Parties. Correction of the findings shall be made by U S WEST in accordance with the provision of this Agreement.

F. Representatives of the Parties shall be permitted to review the working papers of the independent certified public accountants that support the findings and conclusions included in the accountants' supplemental report.

G. In addition to the annual re-certification process, either party may request an interim re-certification if performance, as established in Section H.2 or Section H.3 of the Supplier Performance Expectations (SPE) process, has not been met for three consecutive months. Any such interim re-certification will be conducted by the Parties.

H. Any adjustments resulting from initial Switched certification shall be limited to the boundary date specified in the settlement agreement found in Attachment "A."

I. Any adjustments resulting from a re-certification will be limited to the most current boundary date established through the Bill Period Closure process.

5. PRODUCTION PERFORMANCE AND MEASUREMENT

A. The Parties agree that in order to achieve a quality access billing process it is necessary to implement and maintain appropriate systems and operating procedures. In order to assure the quality of the access billing process, U S WEST agrees to measure critical points of the process for the purpose of monitoring and evaluating production performance, identifying defects, assessing financial assurance and determining opportunities for improvement. The performance measurements to

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be applied by U S WEST are set forth in Section 7 of the Symphony Handbook and Section 6 of the Symmetry Methods and Procedures.

B. The Parties further agree in the event that defects are identified through evaluation and analysis of the measurements, the Party responsible for the defect will correct it and conduct root cause analysis to prevent further defects. The defect resolution process to be performed by U S WEST is set forth in Symphony Document Book I and Section 3 of the Symmetry Methods and Procedures.

C. Both Parties agree that the method to report production performance will be through the SPE process which has been established by the Parties.

6. BILL PAYMENT AND ADJUSTMENT

A. U S WEST agrees that, in order to maintain the financial integrity of the access billing process, it will make every reasonable effort to adjust all bills to reflect the financial impact of all errors detected prior to the issuance of the bill but within 60 days after the bill date. U S WEST further agrees to make every reasonable effort to bill for all services not more than sixty (60) days after the service is provided. AT&T agrees to pay all bills by the payment due date in accordance with the applicable tariff.

B. In the event that an error is not corrected or the billing is not adjusted within 60 days after the bill date or the bill is rendered more than sixty (60) days after service is provided, the resolution process described in Section 9 of this Agreement will be applied.

C. In all cases, the Bill Period Closure Agreement, including the Bill Period Closure Agreement Supplement, found in Attachment "I" will be used to create settlement agreements reflecting the Parties disposition of errors as previously described in Section 1 of this Agreement.

D. The bill payment and adjustment process set forth in this Section 6 shall not apply to bills, or portions thereof, at the time of the execution of this Agreement, which include access usage data provided to U S West by independent telephone companies. However, within one year of the execution and application of this Agreement for Switched access, U S West will implement an action plan which will incorporate this usage as set forth in this Section 6. During the interim one year time period, AT&T will request U S West to deploy a process that will provide estimated or anticipated independent telephone company usage outside the 60 day time frame as described in this Section 6.

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7. CHANGE MANAGEMENT PROCESS

A. The Parties acknowledge that changes in U S WEST's access billing systems or operating procedures may be made periodically in the future. Therefore, the Parties have agreed to follow a Change Management Process which is contained in the Symphony Document Book I and in Section 4 of the Symmetry Methods and Procedures.

B. The Parties agree to analyze all proposed changes to their own access billing systems and operating procedures to determine the impact to the controls and measurements of the access billing process defined by this Agreement. In the event a proposed change has the potential to impact the integrity of the existing controls or measurements, the other Party must be advised of the proposed change immediately, but not less than 90 days prior to implementation of the change. The Parties further agree that coincident with the change, all documentation associated with the access billing process will be revised to reflect the change.

8. ERROR RESOLUTION

A. U S WEST will be responsible for identification, analysis, corrections, prevention, and tracking of errors in the billing process. For switched access, all identified errors will be recorded on a jointly shared log and will be tracked by the Parties until resolution.

B. U S WEST and/or AT&T, as appropriate, will undertake root cause identification and analysis for all errors that have been sourced to them.

C. U S WEST and/or AT&T, as appropriate, will implement, in a timely manner, procedures and controls to eliminate the root cause of problems.

D. U S WEST and/or AT&T, as appropriate, will report its progress to eliminate the root cause of problems on a monthly basis in order to ensure that prevention steps are effective.

9. RESOLUTION PROCEDURES

The Parties will endeavor to resolve all issues relating to this Agreement within 60 days of the impacted billing date. Resolution is expected to occur at the first level of management to allow settlement and Bill Period closure. In the event that the issues are not resolved within the allotted time frame, the following resolution procedure will begin:

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1. No resolution within 60 days of the initial identification - accountability moved to 2nd level of management.
2. No resolution within 90 days of the initial identification - accountability moved to 3rd level of management.
3. No resolution within 120 days of the initial identification - accountability moved to 4th level of management.
4. No resolution within 150 days of the initial identification - accountability moved to appropriate representatives in U S WEST's organization and AT&T Access Supplier Management.

10. USE AND PROTECTION OF INFORMATION - NONDISCLOSURE

A. In connection with the performance of this Agreement, either Party (the "Disclosing Party") may disclose to the other Party ("the Receiving Party") certain information that is marked or otherwise specifically identified as proprietary or confidential ("Information"). This Information may include, among other things, process descriptions, methods and procedures, engineering specifications, financial, accounting or marketing reports, forecasts, plans, or other business and technical information.

B. Whenever any Information is disclosed, it shall remain the property of the Disclosing Party, and shall be promptly returned (together with all copies, in whatever medium) to the Disclosing Party upon request. Unless the Information was previously known to the Receiving Party free of any obligation to keep it confidential, has been made public by the Disclosing Party or a third party, or is independently developed by an employee of the Receiving Party who did not have access to the Disclosing Party's Information, the Receiving Party shall hold the Information in confidence and shall safeguard it with at least the same degree of care as it uses to prevent disclosure, use, or publication of its own proprietary or confidential information. The Receiving party may disclose the Information only to those of its employees who have a need to know in connection with the access billing process, and shall cause each of its Employees to comply with the restrictions on disclosure and use described in this Section 10. The Receiving Party may not disclose the Information to third parties without the Disclosing Party's prior written consent, which may be conditioned upon execution of nondisclosure agreements by such third parties.

C. If the Receiving Party is compelled to disclose Information through lawful process in judicial or administrative proceedings, the Receiving Party shall give the Disclosing Party written notice and an opportunity to seek suitable protective

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arrangements before the Information is disclosed. The Receiving Party shall provide reasonable cooperation with the Disclosing Party's efforts to obtain such protective arrangements.

11. GENERAL TERMS AND CONDITIONS

A. Any modification or waiver of any provision of this Agreement must be in writing and signed by an authorized representative of each party. However, either party may unilaterally designate a different address for receipt of notices.

Notices to AT&T should be sent to:

AT&T
Access Financial Assurance District Manager
Room 2000A
40 Perimeter Center
Atlanta, GA 30346

Notices to U S WEST should be sent to:

U S WEST COMMUNICATIONS
Executive Director - Carrier Services
1801 California Street
Room 2310
Denver, CO 80202

B. This Agreement and the Parties actions under it shall comply with all applicable federal, state and local laws, rules, regulations, court orders and governmental agency orders including the Modification of Final Judgment ("MFJ") as issued in United States v. Western Electric Co., et al. Civil Action No. 82-0192, U.S. District Court for the District of Columbia, and all subsequent orders issued or related to the proceeding. If any section or clause of this Agreement is held to be invalid or unenforceable as the result of any action of a state or federal court or the Federal Communications Commission, then the meaning of that section or clause shall be construed so as to render it enforceable to the extent permitted by law, the unenforceable portion shall be deemed stricken, and the remainder of the Agreement shall remain in effect, provided that the unenforceable provision does not go to the essence of the Agreement.

C. If any provision of this Agreement conflicts with U S WEST tariffs concerning access billing, the terms of the tariffs shall govern.

D. If either party fails to enforce any right or remedy available under this Agreement, that failure will not be

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construed as a waiver of any right or remedy with respect to any other breach or failure by the other party.

E. The section headings in this Agreement are inserted for convenience only and are not intended to affect the meaning or interpretation of this Agreement.

F. This Agreement shall be governed by and construed under the local laws of the State of Colorado.

G. THIS AGREEMENT, INCLUDING THE ANNEXED ATTACHMENTS "A" THROUGH "I" AND THE REFERENCED SECTIONS OF THE SYMPHONY DOCUMENT AND THE SYMMETRY METHODS AND PROCEDURES (ALL OF WHICH ARE INCORPORATED HEREIN BY REFERENCE AND MADE A PART HEREOF), IS THE ENTIRE AGREEMENT BETWEEN THE PARTIES WITH REGARD TO THE ACCESS BILLING SUPPLIER QUALITY CERTIFICATION OPERATING PROCESS. THIS AGREEMENT SUPERSEDES ALL PRIOR AGREEMENTS, PROPOSALS, COMMUNICATIONS BETWEEN THE PARTIES, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, CONCERNING ACCESS BILLING AND THE ACCESS BILLING VERIFICATION PROCESS TO THE EXTENT THAT SUCH PRIOR AGREEMENTS, PROPOSALS, COMMUNICATIONS OR UNDERSTANDINGS ARE IN CONFLICT WITH THIS ACCESS BILLING SUPPLIER QUALITY CERTIFICATION OPERATING AGREEMENT.

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IN WITNESS WHEREOF, U S WEST and AT&T have executed this Agreement through their duly authorized representatives.

U S WEST COMMUNICATIONS, INC.

AT&T

By: *R. C. Hawk*
Signature

By: *Thomas J. Herr*
Signature

Name: Robert C. Hawk

Name: Thomas J. Herr

Title: President,
Carrier Division

Title: Vice President
Network Services,
Engineering and
Access Management

Date: October , 1992

Date: October 5, 1992

By: *J T Helwig*
Signature

By: *James J. Meenan*
Signature

Name: James T. Helwig

Name: James J. Meenan

Title: Vice President
CFO and CIO

Title: Vice President and CFO
Communications Services

Date: October , 1992

Date: October 5, 1992

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Attachments to Operating Agreement

- A - Switched Access Billing Agreement
- B - Special Access Billing Agreement
- C - Switched Access Factors Agreement
- D - Supplier Quality Certification Review Plan
- E - Switched Access Certification Scope
- F - Special Access Certification Scope
- G - Switched Access Adjustment Methodology
- H - Special Access Adjustment Methodology
- I - Bill Period Closure Agreement

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