assignment records, provisioning records and procedure, and security procedures. Records and operating procedures will have to be changed to identify who the competitor and the end user are, and which competitor is utilizing which particular facilities, such as cable pairs or coax channels. Collocation cages will have to be constructed in switching offices. Some method to provide separate access at loop concentration facilities will have to be provided. If the FCC orders collocation in the same cabinet at loop concentration locations, then cabinets will have to be replaced with new cabinets designed for access by multiple parties, at a minimum cost of $15,000 to $30,000 per loop concentration point. If the FCC orders collocation where the competitor locates their cabinet near the existing ILEC cabinet, and both interconnect at the distributing panel, the cost would be $1,000 to $4,000 per occurrence to terminate additional cables at the distributing panel. In all cases, there is a cost associated with unbundling. Thus, interconnection and unbundling may add significantly to the cost of the network, and to cost for customers, competitors, and possibly the Universal Service Support Fund. Interconnections and unbundling should not be ordered on a national basis prior to demand materializing.

NPRM Paragraph 89. The FCC should not set specific time intervals for small ILECs to respond to requests from competitors, but could require small ILECs to meet the same provisioning intervals for competitors as for the ILEC's own end user customers.

As stated in our comments in 57, above, in "Growth Increments", for a small ILEC, provisioning of DS-1s is quite expensive per access line. Thus, the small ILEC is not likely to have a large number of facilities available as spare when a competitor requests these. Three DS-1 connections to a switch might be a part of the spare in a 12,000 access line switch which would

normally have at least 50 DS-1s in service for intermachine trunking. However, in a 1,000 line office, 5 or 6 DS-1s would normally be in service. It would be uneconomical for the small ILEC to provision 3 DS-1s, or 50% of working capacity, as spare. To meet the order for three DS-1s, the small ILEC would have to order additional equipment from the manufacturer, at intervals of several weeks to 6 months, depending on the magnitude of the switch or facility addition. To require the small ILECs to meet the same ordering intervals as the large ILECs would require the small ILECs to uneconomically provision a large spare capacity.

Also in 57, above, as discussed at "Operational Support System Interfaces with other Companies", the small ILECs do not currently utilize electronic ordering interfaces. To require these to be added for the convenience of competitors would add substantially to the cost of the network, and result in higher prices to end users, competitors, and possibly higher recovery from the Universal Service Support Fund.

NPRM Paragraph 91. We recommend that the FCC provide the ILEC with a positive incentive to provide quality service to all its customers, end users and competitors LECs alike. In this case, if the ILEC were adequately compensated for the services and network elements sold to competitors, then there would be no incentive to provide any but the best service to all customers, including the ILEC's competitors. In this case, the ILEC would function as a transport platform for competitors, who are service providers to the end user. The ILEC could also be a service provider to end users. If the ILEC earns adequately in both the platform and service provider businesses, there is no incentive to provide poor service to competitors. This positive approach would encourage the ILEC to move ahead with local exchange competition in

an expeditious manner, and would not require ongoing, often contentious efforts on the part of regulators to enforce negative incentives.

In contrast, the FCC could simply order the ILEC to provide similar quality service to its competitors as to its own customers. However, this would prove to be extremely difficult to enforce from a negative perspective, i.e. "do this or be penalized". In cases where there was only negative incentive for the ILEC, i.e. if the ILEC is forced by the FCC to price services to competitors below the ILEC's cost for the service, there is a very real incentive to provide poor service to competitors. Such a negative incentive should be avoided by the FCC.

NPRM Paragraph 95. The FCC cannot ignore technology or functionality when determining where interconnect points should be in the Local Loop. Many local loops are currently provided from the host switch via either remote switch units or digital loop carriers. Interconnection to these devices at the loop concentration panel is feasible, as discussed in our comments at 87. However, interconnection to a specific customer loop at a point between the host switch and the loop concentration equipment is not technically feasible.

Currently, no field end of a loop concentrator can function utilizing more than one host switch. Thus, there is no technically feasible way for the competitor to connect its switch to the ILEC loop concentrator.

Traffic is concentrated at the remote/digital loop carrier. There is not a distinct path or channel for each subscriber between the switch and the loop concentrator. The ILEC does not assign particular channels to particular customers. The switch or digital loop carrier chooses a path based on usage requirements. Thus, although the host-remote or host-digital loop carrier

facility looks at first glance like loop plant, it really functions like an internal part of the switch. Interconnection feasibility should be based on functionality, what is actually occurring, rather than appearance.

Many digital loop carriers and almost all remote switches use vendor proprietary protocols between the host switch and the loop concentration equipment. In many cases, protocols differ depending on the vintage of the switch and loop concentration equipment used. Each competitor would have to provide a device that could comply with the existing protocol, or the ILEC would have to uneconomically change out its remote switch equipment to match the competitor's protocol. Interconnection to the switch-loop concentration equipment by competitors is not technically feasible. The FCC should not require that the ILEC interconnect with competitors between the switch and the loop concentration equipment.

NPRM Paragraph 97. At this time the only technically feasible interconnection points to the local loop are at the switching center distributing frame or the loop concentrator distributing panel. As mentioned above in our comments at NPRM Paragraph 95, interconnection between the switch and the loop concentration equipment is not feasible. Access at cable splice points is also not feasible, per our comments at NPRM Paragraph 87. Splices are not designed to be used as points where the regular changes in connections required for ongoing assignment and provisioning take place. When entering a cable splice, it is quite common for even highly skilled personnel to cause troubles in previously good cable pairs by movement of cable pair bundles. This is especially true in older cables, where copper conductors may have become brittle over

time, and break when wires are moved to access other wires. When cable troubles occur, it is time consuming to open a splice point to determine the location of the trouble. Use of cable splice points as currently constructed for interconnection could degrade service, and is not technically feasible at this time.

Splice points could be made into interconnect points by installing equipment such as cross connect terminals. Cross connect terminals are frequently used as interconnect points between LECs in the existing network. Cross connect terminals are similar to loop concentrator distributing panels, and allow for cross connection of cable pairs and maintenance of assignment records. Cross connect terminals are often used at interconnect points on cables between LECs and other LECs or IXCs. Similar cross connect panels can be installed for fiber optic cable. Care must be taken in assignment to assure that copper cable loading schemes are followed, so that the end user has proper transmission quality. Training may be necessary for competitive personnel not familiar with working in rural areas. The cost of providing a cross connect terminal in a rural setting would range from $2,000 to $40,000 each, depending on type of cable, and number of cable pairs or optical fibers accommodated.

As pointed out here, the existing small ILEC network was not designed to provide for interconnection. Some points in the existing ILEC network can be utilized as interconnect points because they are currently utilized by the ILEC to assign various facilities and functions to particular subscribers, and thus make natural assignment points for multiple service providers. Other points, however, like cable splices or collocation within a loop concentration cabinet, do not readily lend themselves to interconnection as currently configured because they were not designed for that purpose. Some of these points can be configured for interconnection by adding

or replacing equipment. However, each change and addition has an associated cost. The FCC must carefully balance changes in network configuration and their associated costs with allowing interconnection for the ease of competitors to encourage rapid introduction of competition. Should the cost of network changes prove to be very large, the cost of network services will increase to end users, competitors, and possibly the Universal Service Support Fund. For the small ILECs, with high costs per access line for upgrades, and a small customer base, the FCC should consider a cautions approach and order only minimal unbundling of network elements at points that are technically feasible in their current configuration. As discussed at 88, competitors may not wish to order many unbundled elements in rural areas immediately. If further unbundling is desirable at a later date, this can be addressed at that time. In the meantime, uneconomical investment for which there is no demand should be avoided.

NPRM Paragraph 102. Access to operations or proprietary functions of the ILEC switch should not be allowed until the switch manufacturers develop a method to partition a switch so that each user, the ILEC and the competitor(s), can access only that portion of the switch operating software that affects only their customers. No party could in any way affect operation of the other party's portion of the switch. Digital switches are very complex computers. Like personal computers, very few of them are configured the same Different hardware vintages and different software programs and software feature packages exist in different switches. As discussed in our comments at 57, while the RBOCs may try to configure all their switches of a similar type as closely alike as possible, there is no such homogeneity between switch configurations of small ILECs. Since switches are very complex, and there is significant interworking between various

features and functions, when one feature or function is changed for a given subscriber, other unintended changes can occur. Due to complexity and difference in configuration, it is very difficult for operating personnel to be effectively trained on the many configurations that exist. Some unintended changes could cause the switch to cease processing calls, and result in loss of service. Thus, at this time, it is not technically feasible, or secure, to allow competitors to have access to operational switch functions. Access to service order functions only (provisioning of particular customers' access lines, telephone numbers and vertical services, such as CLASS features) could be allowed on those switches that provide for service order only access. However, not all switches currently can do this. Access to routing, billing, and maintenance functions is not currently partitionable. To protect network integrity, access to these functions must not be required until the switch is partitionable in these areas.

As with cable splices and loop concentration cabinets, switches can be made partitionable by the manufacturer if the manufacturer chooses to do so. Switches that are not currently supported for upgrades, such as the Alcatel and Harris, or those not designed for complex competitive functions initially, may not be upgradeable for partitioning. Partitioning will have an associated cost, that should be carefully balanced with demand in any considerations. At this time, access to operational switching functions in ILEC switches that are not partitionable should not be allowed.

NPRM Paragraph 105. Unbundling of trunking elements is technically feasible provided the interconnection points are as defined per our comments at NPRM Paragraph 87.

NPRM Paragraph 108. Currently, most small ILECs obtain SS7 and database services from SS7 transport and SS7 database providers, and do not offer SS7 as a service to other ILECs. Interconnections with other ILECs, IXCs, CMRS providers, and other parties is accomplished via a Gateway Screening functionality provided by the SS7 database or SS7 transport provider. Most ILECs utilize US Intelco Networks (USIN) or a neighboring large ILEC for SS7 functionality.

NPRM Paragraph 109. All interconnection between SS7 networks must be through an interconnection point that provides Gateway Screening to both parties. Gateway Screening allows only authorized SS7 messages to enter an SS7 network or database. Authorized messages are those messages that pertain to an SS7 based service that one interconnecting party has purchased from the other. For example, if a competitor has purchased Calling Name Delivery (CNAM), but not Calling Card Validation, from the ILEC, then SS7 messages from that competitor associated with CNAM would be allowed to pass the Gateway, but messages from that competitor associated with Calling Card Validation would be blocked. Gateway Screening must be in place to eliminate unauthorized messages from the SS7 network. Unauthorized messages that are not blocked at the Gateway closest to their source can add uneconomic load to the SS7 network, causing slow responses and poor network performance. Far more serious, however, is the fact that certain maintenance and administrative messages can cause catastrophic failures of SS7 network components, such as switches and databases. Such was the case several years ago when failures of STPs in Bell Atlantic's and Pacific Telesis's networks caused regional service outages affecting millions of customers. Gateway Screening prevents SS7 messages such

as the ones that caused these failures from proliferating between networks, and alleviates risk of a nationwide outage. The FCC should require that all interconnections between SS7 networks be accomplished only at points where Gateway Screening functionality is in place.

NPRM Paragraph 111. All SS7 based services are very complex. Deployment of SS7 services is based on customer demand and available revenue. Demand is different in different areas, and often materializes more slowly in rural areas than in urban areas. Thus, not all services are offered by all ILECs on the same implementation schedule. When the ILECs begin to create their own SS7 services utilizing Advanced Intelligent Network (AIN) capabilities, it is expected that ILECs, and other service providers, will have the capability to copyright their services, much as other software providers copyright products they create. If ILECs are not allowed to copyright software, this will be outsourced to parties that are not carriers of any type, but rather software providers, who are not affected by the 1996 Communications Act. If no provider is allowed to copyright software, there will be much less incentive to create new services, and new product introduction will be slowed. The FCC should not implement detailed rules, as these will stifle creativity, slow product introduction, and perhaps be in conflict with copyright laws.

NPRM Paragraph 112. As mentioned in our comments at 57, "Digital Switching", the small ILECs do not use the same types of switches that the RBOCs do. Switch upgrades are based on customer demand for features, which is different in different areas. Thus, not all switches are at the same vintage of software. Most SS7 services require certain functionality provided by certain vintages of hardware and software in the digital switch and the database. Connecting a

database that requires a certain functionality to an ILEC network would not obtain the desired functionality in all switches. To require the small ILECs to connect per a nationwide rule based on urban circumstances would cause uneconomic upgrade or replacement of ILEC switches, adding to the total cost of the network, and causing higher prices to customers, competitors, and possibly the Universal Service Support Fund.

Interconnection between switches in the ILEC network and the competitor's data base must be through an interconnect point where Gateway Screening is available to protect the ILEC and competitor's networks from damage caused by incorrect SS7 messages that might result in service outages.

A better solution to allowing the competitor to offer its own SS7 based services via the ILEC network platform would be to allow the competitor to create its own services in the ILEC database using the ILEC standard service creation tools provided by AIN functionality. This would allow the competitor to create its own services while protecting the operation and integrity of the underlying ILEC platform. This would ultimately require that the database be partitionable, so that the ILEC and other competitors did not have access to a particular party's data or service functions. This would be similar to partitioning of switches discussed in our comments at 102, however the partitioning would be applied to SS7 databases. Partitioning capability at this level does not currently exist in SS7 databases, and would have to be created. As with other functions that do not currently exist but are required for interconnection, there will be a cost associated with creation and deployment of the database partitioning function. The FCC must carefully weigh the overall cost to the network vs. the benefits of requiring deployment of the functionality in speeding competition.

NPRM Paragraph 113. All SS7 functionality is very complex, and there is substantial risk to ILEC and competitor's networks from incorrect SS7 functionality. Thus, extensive testing prior to implementation is required. This testing has been accomplished for ILECs when manufacturers obtain Bellcore certification for new products and services. Small ILECs, not having the testing resources of Bellcore, depend on Bellcore certification to insure that the SS7 products introduced into the ILEC networks function properly. In many cases, Bellcore certification has been a lengthy process. However, there have been very few serious outages caused by SS7 introduction or operation, quite a feat considering the complexity of the SS7 network. Corporate local area networks function similarly to SS7 networks by depending on the interaction of multiple computers (servers and work stations vs. switches, STPs, and SCPs) to provide services (data processing and computer functionality vs. call processing). However, corporate networks have not experienced anywhere near the integrity or robustness of the SS7 network. This is due in large part to the fact that there is no requirement that a product be tested before it can be installed in a corporate network. The user is responsible for network integrity. If the FCC were to order indiscriminate introduction of SS7 services and products to the network, either by allowing the introduction of products that are not properly tested, or by allowing interconnection with networks that utilize such products, the integrity of the national communications network would be very negatively impacted. The FCC must allow for, indeed require, a strenuous, rigorous testing program for not only Intelligent Network (IN) products and services, but all products and services introduced to the SS7 network.

NPRM Paragraph 116. If the FCC were to order access by competitors to the billing and collecting information of ILECs, the FCC must take care to assure that its order complies with both Federal and State privacy laws and rules. In many states, ILECs are not allowed to share credit information or other sensitive information regarding their customers with other parties. The FCC order must comply with privacy laws and regulations.

NPRM Paragraph 119. "Predictability" of rates is very difficult to achieve in rural areas due to the high costs, and the variation of costs among rural providers. Rates will not be predictable between ILECs because of these cost variations, unless the Commission uses artificial means to make the rates predictable. For example, The Commission might make rates more predictable by supporting a national average rate for services and unbundled network elements sold to competitors to assure that competitors would find similar rates without regard to geography. Support could possibly come from the Universal Service Support Fund. Without such support, there is no way to avoid the fact that costs in rural areas are higher due to lower subscriber density. At paragraph 133 in the NPRM, the FCC recognizes the difference in costs between geographic areas with "dense" and "less dense" concentrations of population. This difference must be considered in all pricing deliberations related to unbundling and pricing of network elements. In many rural situations, should the ILEC cease to exist because it cannot earn greater total revenues than its costs, there may be no competitor that could provide service in the area. The FCC must consider the alternative of support from the Universal Service Support Fund for all services, including those network elements provided to competitors, or must accept the

difference in urban and rural costs, and allow the ILEC to charge higher prices in rural areas than urban areas.

NPRM Paragraph 120. GVNW does not disagree with the tentative conclusion of the Commission that the pricing for unbundled elements and interconnection should be based on some measure of the cost of the facility that includes all uses of that facility regardless of jurisdiction. The Commission has previously dealt with a similar issue in its separation rules (Part 36) in regard to dedicated circuits that are used for the transmission of both interstate and intrastate services. In that case the Commission decided that though the facilities were used for multi-jurisdictional purposes, pricing of the facility could only logically be done in one jurisdiction. In that case the FCC determined that if usage of the facility was greater than 10% interstate, it would be assigned to the interstate jurisdiction and treated as an interstate circuit for separations and access charging purposes.[4]

GVNW believes that a similar separations treatment should be used in the case of unbundled elements and interconnection services, that is that the costs of and pricing of these elements should be assigned to a single jurisdiction. In the case of these elements the Act clearly places the responsibility for pricing these elements on the state commissions.[5] The Commission should therefore recognize this assignment of responsibility to the state commissions in its Part 36 rules. Changes should be made to those rules to separate costs associated with interconnection services and unbundled elements to the intrastate jurisdiction. These changes should include provisions to directly assign costs associated with these services to the intrastate

[4] See Part 36, Section 26.154(a).
[5] See Section 252(c)(2), Section 252(d)(1), Section 252(d)(2), and Section 252(d)(3) of the Act.

jurisdiction in those cases where the normal method of separations would not provide an appropriate allocation to that jurisdiction.

NPRM Paragraphs 123-133 Of critical concern to GVNW clients will be the pricing of network elements and interconnection in a fashion that allows the companies to receive sufficient profit from the provision of these elements to continue to desire to invest in assets to provide service to end user customers and to other competitive providers. In rural areas the cost characteristics of service are such that it is unlikely that service can be provided on multiple networks as inexpensively as it can be provided through one network. Appropriately priced network elements will encourage the use of that network by competitors while still providing adequate financial returns for the network provider.

NPRM Paragraph 123 GVNW recognizes that the pricing requirements established in Section 252 will cause pricing of network elements on a basis different from prior "rate-of-return" regulation. It should be noted, however, that Section 252(d)(1) says nothing about incremental pricing. In fact it specifically states that "...the just and reasonable rate for network elements...shall be based on the cost...**of providing** the interconnection or network element..."[emphasis added] This clearly indicates that such rates should be based on the current, actual cost of provision, not some hypothetical future incremental cost based on least cost technology. Determination of the cost of elements using existing embedded costs of individual elements are in keeping with the law provided they are developed "...without reference to a rate-of-return or other rate-based proceeding". The fact that a return on capital is one

element of these cost studies should not preclude them from use because that is a necessary element in determining the cost under any methodology, including incremental cost methodologies.

NPRM Paragraphs 126-130 If the Commission chooses to pursue incremental pricing methodologies, it must be careful to formulate rules that fully recognize the incremental cost of relevant services. If incremental cost studies are implemented at the rate element level, incremental costs associated with providing multiple rate-elements, but not incremental to the specific rate element, may be excluded from studies. For example, under an access environment, the cost of preparing and rendering a Carrier Access Bill (CABS) may not be incremental to the end office or local transport switching elements specifically, or may be very minor to those individual elements, but may be significant to the provision of access service in general where the whole cost of the CABS billing process is an incremental cost.

The Commission should also be cognizant of the fact that the level of incremental costs will vary between ILECs, particularly differing between large and small ILECs. While few would argue that the salary of the President of an RBOC is incremental to the provision of local switching, that may not be true of the President or General Manager of a small rural telephone company. In many of these companies (often with less than ten to twenty employees) this individual is the first-line supervisor or perhaps the "craft" person as well as the President and performs a variety of functions besides those of the head of the company. These may include such functions as reviewing maintenance information printed from the switch, entering changes in routing information such as new NXX's and new NPAs, and other functions which are

incremental to the provision of local switching. Rules established regarding incremental costing (or other costing methods) should be flexible enough to take into consideration variations in operating conditions between companies.

Rules should also recognize that somewhere in the overall operation of the company, costs typically described as shared or common costs must be recovered from some revenue source if the company is to earn a reasonable profit. While the revenues of the ILECs continue to regulated by the FCC's and the state commission's setting prices for virtually all their services, as is contemplated by the Act, rates established by the commissions must provide for some means of recovering shared and common costs.

We note that Section 254(k) of the Act recognizes that validity of services reasonably sharing in the joint and common costs when it instructions the Commission and the states to establish necessary cost accounting rules and accounting safeguards to "...ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services." Other services which ILECs provide should similarly bear a reasonable share of these joint and common costs.

NPRM Paragraphs 134-143 GVNW has substantial concerns about proposals outlined in these paragraphs regarding using proxy costs instead of actual costs to establish price ceilings on prices for unbundled elements based on nationally-averaged costs Our concerns arise from anticipation that such proxy costs and particularly price ceilings based on nationally-averaged costs would not reflect the cost characteristics of small rural telephone companies. There is an abundance of data available that demonstrates that there are significant cost differences between providing

service in urban areas and rural areas. For example, the FCC's Monitoring Report contains annual data filed with NECA on the cost of loop plant (as defined in Part 36 of the FCC's rules). Average cost per loop for companies ranges from a low range of under $100 per loop to a number of high cost areas that exceed $1,000 per loop.[6] Data derived from the data requests submitted to the FCC in CC Docket 80-286 in early 1995 showed average investment per subscriber for COE equipment ranging from $1,565.90 per subscriber (for study areas with average switch sizes of less than 100 lines) to $358.81 per subscriber (for study areas with average switch sizes of greater than 10,000 lines).[7] The costs for providing network elements and interconnection in these areas, even if measured on an incremental basis, will differ substantially from proxy costs based on large company cost structures and nationally-averaged costs which reflect primarily costs from large companies and urban areas.

If proxies are to be used, the development of such proxies must not be limited to a single set of numbers, particularly a ceiling, but would need to be provide a variety of proxy levels based on variations in operating conditions of individual companies. However, as is demonstrated in Southwestern Bell's recent comments in the Joint Board Universal Service NPRM, CC Docket 96-45, the Benchmark Costing Model, which attempts to model loop and local switching costs does a poor job of accurately reflecting the actual cost of providing service in the modeled areas.[8] At this point in time there is certainly inadequate data before the

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[6] Monitoring Report, CC Docket No. 87-339 May, 1995, Prepared by the Federal and State Staff for the Federal-State Joint Board in CC Docket No. 80-286, pp. 88-110.
[7] See Comments of GVNW Inc./Management in CC Docket #80-286 filed October 9, 1995, p. 9.
[8] See Comments of Southwestern Bell Telephone Company in CC Docket 96-45, filed April 12, 1996, pp. 14-16.

Commission to adopt a specific proxy model with any degree of confidence, particularly as a ceiling for rates for all companies.

If the Commission pursues the use of proxies there must be some recourse for those companies whose costs simply do not meet the model cost characteristics. Without such recourse, availability of telephone service in some areas may be substantially harmed. In such cases the companies should have recourse to use actual costs rather than surrogates or proxies.

NPRM Paragraphs 139-140 These paragraphs seek discussion regarding whether part or all of the Transport Interconnection Charge (TIC) should be excluded from the development of any rate ceiling. While, as discussed in the earlier section, GVNW opposes the use of rate ceilings, should the Commission adopt this approach, great care should be taken before excluding any of the TIC charge. This charge was specifically designed to include the cost of 80% of the tandem switching function. For small companies it also includes a significant portion of costs related to tandem switched transport since the Part 69 rules required that this rate be developed using an assumed 9,000 minutes of use per transport circuit, a number substantially higher than that typically experienced by smaller LECs. This caused the tandem switched transport rate to be understated from a cost standpoint driving revenues to the TIC element.

NPRM Paragraph 176 GVNW believes that it is clearly the intent of Congress in Section 251(c)(4)(B) of the Act that states should be able to prohibit the resale of residence lines to anyone other than residence customers. Similarly they could restrict the resale of lifeline or other

services priced for specific customer groups to customers who qualify for the receipt of such services.

NPRM Paragraphs 180-182 Determination of avoided costs for the development of wholesale resale rates should be based on the specific cost characteristics of individual companies and not on proxies or national averages. ILECs activities associated with billing, marketing, collection, and similar activities vary widely, particularly among smaller companies and broad averages or percentages might significantly under- or over-state the actual costs that are avoided by a particular company in providing wholesale services. This is particularly true in smaller companies where volumes purchased by resellers may be small with little consequent savings in these costs. States and companies should be given the flexibility to determine whether to apply such wholesale costs across all services in general or whether there should be specific determinations by individual services or service categories. The appropriateness of a general allocation or more specific ones may very well depend on the nature of the individual LECs operations and differences in those operations between various service categories.

NPRM Paragraphs 239-243 GVNW does not believe that bill and keep arrangements should be imposed on ILECs. The Act requires that "...a State commission **shall not** consider the terms and conditions for reciprocal compensation to be just and reasonable unless (i) such terms and condition provide for the mutual and reciprocal recovery by each carrier of **costs** associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier,..."[emphasis added] Bill and keep arrangements could

only meet such a standard when the traffic between the carriers is balanced and the costs for each carrier are approximately equal. It is unlikely that traffic in such situations will, in fact, be relatively balanced. Further it is unlikely that the cost of such termination will, in most cases, be equal because of different operating characteristics between the ILEC and the interconnector. The Commission suggests that it might limit bill and keep only to those situations where the additional terminating cost is approximately zero. The NPRM suggests that this might happen in some cases in off-peak periods, but it would certainly not be the case during peak periods. While the rates adopted in states that have dealt with this issue are quite low (usually less than $0.01 per minute), they are well above a zero cost. This is likely to be particularly true for small companies where overall switching costs are higher because of the smaller exchange sizes.

The Commission also requests comments on historical interconnection arrangements between neighboring incumbent LECs with respect to transport and termination of telecommunications traffic. In most cases these agreements are many years old and were adopted in a totally different regulatory and competitive environment. In all, or virtually all cases, such agreements involved companies that had exclusive franchise areas that involved no competition with each other. They were also adopted under a non-competitive rate-of-return regulatory regime where there was not as great a concern about specific cost recovery from specific users either by the companies or the regulators. The regulatory/competitive environment is vastly different now and such agreements are no longer appropriate. They should not be used as a basis for determining appropriate compensation between carriers competing in the same service areas under a statutory mandate to base the compensation on the cost of making the termination.

NPRM Paragraphs 260 and 261 GVNW agrees with the FCC that the states have the sole responsibility for determining whether exemptions for rural companies should be granted and whether suspension or modifications under Section 251(F)(2) should be granted. We do not see any need for the FCC to establish standards regarding what constitutes a "bona fide" request. We believe that the states can make such determinations with relative ease and without putting undo burdens on requesting carriers.

NPRM Paragraph 263 GVNW notes that one of the primary means that the FCC has of assuring infrastructure development, particularly in rural areas, is to create an environment where those investing in such infrastructure have a reasonable assurance of obtaining and adequate return on that infrastructure. In that regard, pricing rules established by the FCC for unbundled elements and interconnection provided by ILECs need to provide sufficient revenues to make such future investments profitable and attractive.

Respectfully Submitted,

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