

SNET maintains that under its proposed compensation plan, when the local traffic volume exchanged between two service providers' networks is in relative balance there would be no need for any physical financial transaction between the two participants. SNET indicates it is highly unlikely that traffic between any two local service providers will ever be in relative balance because of the countless calling combinations and permutations that exist in any local service area. SNET argues that because CLECs will likely target specific groups of customers, each group with distinctly different calling characteristics, the traffic mix will be dynamic, ever-changing from month to month as the number and type of customers served by any particular local service carrier changes. Therefore, financial exchanges will undoubtedly be required both now and in the future.

Separately, SNET argues against the use of any flat rate compensation structure for those interconnections that are not direct between end offices even in those instances where traffic may be in balance. SNET notes that in the interconnected and interoperable network envisioned by Public Act 94-83, originating traffic from a competitive provider will typically be handed over to SNET for transport at an access tandem and then becomes the sole responsibility of SNET to route that traffic over its infrastructure to the appropriate end offices for termination. SNET suggests that if the Department adopts a flat rate mutual compensation model, the inordinate costs associated with such an extensive transport requirement would not be recognized by the pricing structure and, therefore, would be unrecovered by SNET. In SNET's view, any compensation structure adopted by the Department which does not fully compensate a participating network provider for the use of its infrastructure by another carrier is wholly inappropriate. SNET states that switching is a usage sensitive activity and as such the only compensation structure that will adequately compensate each carrier is one that is usage based. Accordingly, SNET believes that a completely reciprocal compensation arrangement is appropriate between CLECs and SNET.

Lastly, SNET's proposal includes a local access rate element to be based on the current Connecticut intrastate access tariff, excluding such rate components that the Department finds inapplicable to local interconnection. SNET proposes that the following elements from the Connecticut access tariff be included in the mutual compensation rate:

Direct	Tandem
Local Switching	Local Switching
Entrance Facility*	Entrance Facility*
Transport, fixed*	Multiplexer
Transport, per mile	Tandem Switching
	Tandem Termination
	Tandem Facility, per mile

* Entrance Facility and Fixed Transport may not apply if a CLEC is collocated under Expanded Interconnection

Based on the above, SNET believes its proposed access structure for mutual compensation to be fair and equitable to all participants and requests that the Department approve its proposal. SNET March 31, 1995 MCP-CLEC Filing, pp. 1-4.

On May 31, 1995, TCG, Sprint, MFSI, Lightpath, AT&T, MCI and NECTA (referred to in this section only as the Signatories) submitted to the Department for consideration an independently developed mutual compensation proposal (CLEC Proposal) as an alternative to SNET's proposal. The Signatories believe that the CLEC Proposal constitutes a comprehensive and balanced approach satisfying the needs of all participants for cost based, efficient, mutual compensation arrangements that will compensate each carrier for its costs to terminate local traffic.

In general, the CLEC Proposal provides for a Bill & Keep arrangement generally referred to as a Mutual Traffic Exchange to be implemented on an interim basis until such time as SNET can file cost studies with the Department which better identify SNET's costs to terminate local traffic, and until such time as SNET can determine whether or not terminating traffic between and among SNET and the CLECs is in relative balance. Under the terms of the CLEC counterproposal, during the time period subsequent to filing any of the associated cost studies and until such time as terminating traffic is deemed to be in balance, each CLEC would be accorded the option of choosing between a usage sensitive and a flat rated mutual compensation approach. According to the Signatories, this approach permits each CLEC to select a mutual compensation plan which is economically viable, administratively efficient, creates an incentive for competition, minimizes competitive distortions, promotes competitive innovation, and provides some measure of competitive equity in the provision of local service. In particular, the CLEC Proposal provides for a compensation arrangement between local exchange service providers where local exchange service providers pay each other "in kind" for terminating local exchange traffic on the other's network. The Signatories state that no other charges or rates, explicit or implicit, would be levied by any local exchange service provider to any other local exchange service provider for the interchange of local traffic with each other under this provision. The CLECs further propose that the interim arrangement remain in force for one year after a CLEC commences the provision of local service, with traffic between SNET's and a CLEC's networks being measured using the last three consecutive months in the annual period.

The Signatories also propose a per minute mutual compensation rate for traffic termination at end offices, tandems, and mutually agreed upon meet points. According to the CLEC Proposal, these rates will be developed in accordance with the TSLRIC cost methodology adopted by the Department in Docket No. 94-10-01. Pursuant to acceptance by the Department of the CLEC Proposal, both local and toll traffic would be exchanged over the same individual trunks under a per minute of use arrangement. Consequently, each carrier will be required to submit to this Department quarterly reports indicating their company's percentage of local usage (PLU) so that the traffic volumes for both local and toll usage can be properly determined. The Signatories claim that these reports would allow carriers to properly apply the local rates indicated to the correct quantity of local traffic. The Per Minute terminating traffic mutual

compensation option would remain in place until otherwise modified by the CLEC or until the requirements discussed below are satisfied. The CLEC Proposal also provides opportunity for each CLEC to elect to modify the Per Minute of use compensation option upon 30 days written notice, and elect the Flat Rate option.

The Signatories additionally propose inclusion of an optional Flat Rate monthly terminating traffic mutual compensation rate for end office terminating traffic and a Flat Rate monthly terminating traffic mutual compensation rate for access tandem office and mutually agreed upon meet points using the Per Minute rates discussed above. Under the CLEC Proposal, the Flat Rate charges would be applied on a per port basis at each end office and/or access tandem office and/or mutually agreed upon meet point where terminating traffic is ordered from SNET by the prospective service provider. The Signatories state that the Flat Rate option would remain in place for mutual terminating traffic at the designated end office(s) and access tandem office(s) until otherwise modified by either a filing by the CLEC of a new election, or by application for terminating traffic deemed to be in balance. An automatic conversion to Mutual Traffic Exchange could result in carriers ceasing their monthly payments for terminating traffic as long as terminating traffic between CLECs/LECs are in balance. The CLEC Proposal provides CLECs the prerogative to elect a Flat Rate option, or to modify a previous election by changing from the Per Minute option to the Flat Rate option, on an end office and/or access tandem office basis upon the placing of the initial order for service or upon 30 days written notice.

The CLEC Proposal's sponsors argue that a Flat Rate terminating traffic mutual compensation option anticipates adoption by the Department of two-way network trunking arrangements between carriers as the accepted standard provisioning scheme. In so doing, adoption of the CLEC Proposal would require the Department to prorate the Flat Rate end office and access tandem port charges between the LEC and the CLEC. The Signatories state that proration could best be done on either a monthly or quarterly basis at the election of the CLEC. The Signatories also state that for cash flow purposes, these payments can be combined into a netting statement such that payment would flow from one carrier to the other. Additionally, the Signatories state that the Flat Rate terminating traffic mutual compensation would be subject to proration in this manner until traffic for any monthly/quarterly period was deemed to be in balance.

The Signatories propose that traffic transported by SNET for termination by a CLEC be considered an "end office" termination and subject to end office terminating use charges if the traffic is delivered to a mutually acceptable point in the same SNET central office serving area. Where traffic is delivered by SNET to the CLEC at any other location, and/or where such traffic may terminate at CLEC subscribers located in more than one SNET central office serving area, such traffic will be considered a "tandem" termination and the CLEC's tandem terminating use charges would apply. The Signatories contend that in general, the CLEC's end office terminating use charges and tandem terminating use charge could not exceed those imposed upon the CLEC by SNET, unless the CLEC could demonstrate that its costs to terminate local calls exceed those of SNET.

The CLEC Proposal also requires that when minutes of use terminating traffic between the LEC and CLEC for any monthly or quarterly period is roughly equal (defined as +/- 5% of 50%/50%) for either the LEC or the CLEC, and the CLEC has elected the Per Minute or Flat Rate terminating traffic mutual compensation option, terminating traffic mutual compensation is equal in amount for the relevant LATA and no payment is necessary between carriers for these routes. Mutual Traffic Exchange is automatic for carriers electing either the Per Minute or the Flat Rate option, and if traffic is not in balance for any monthly or quarterly period, then standard charges described above would apply.

According to the submissions in this proceeding, the Signatories to the CLEC Proposal agree the above provisions represent the entire agreement of the participants at the time of execution on the subject of mutual compensation. The Signatories state that nothing should be construed to prejudice or preclude the position of any party in continuing negotiations or in limiting the subjects to be addressed in testimony in any agency proceeding involving mutual compensation issues not specifically stipulated therein. The Signatories also state that if any provision of the CLEC Proposal is rejected or modified by the Department, it would be null and void. Lastly, the CLEC Proposal provides the CLECs with the right to petition the Department at any time to modify any term due to changes in technology, market conditions and competition. CLEC Proposal, May 31, 1995, pp. 1-7.

On June 1, 1995, the OCC proposed yet a third Mutual Compensation arrangement (June 1, 1995 Proposal) for consideration and adoption by this Department. That proposal provides for compensation claims to be settled between any two service providers on a Bill & Keep basis for the first 12 months following any particular carrier's entry into the marketplace or 12 months after enactment by the Department for currently authorized providers of local service. Under provisions of the proposal, traffic exchanged between a particular set of carriers would be measured by the respective terminating carriers during months nine through twelve looking for any imbalance (defined as greater than +/- 5% of equilibrium, or other appropriate percentage for avoiding dead-weight administrative costs). At the conclusion of the first 12 months of operation, each carrier must select compensation methods on an office-by-office or meet-point by meet-point basis. OCC states that these measurements would be repeated annually or at some shorter interval, if mutually agreed upon. Specifically, each carrier, whether CLEC or SNET, would decide on the compensation method for its own terminating traffic. OCC proposed the following compensation methods:

1. **Measured Rate** - a per minute of use charge would be applied to all terminating minutes of local traffic. The rate would be calculated on the TSLRIC cost of the respective provider organization. To the extent that any CLEC has lower TSLRIC costs than those of SNET, then SNET's costs would be used to calculate the measured rate price applicable to the respective CLEC. For any transaction where two CLECs have different TSLRIC costs, those of the higher cost carrier would be used for the calculation.

2. Flat Rate - a flat rate would be calculated by applying the higher of either a) the minute of use rate referenced above multiplied by either 120,000 minutes or b) the average monthly traffic load (as measured in minutes of use) on the DS-1 trunk groups of the carrier during the equivalent three month period of the preceding year or some other acceptable measurement period, whichever is higher. This rate would be charged monthly for the respective period.
3. Toll Traffic - intrastate toll traffic will be billed to the respective provider at current access tariff rates.
4. Two-Way Trunks - trunks which carry two-way traffic, and which by mutual agreement are flat rated, will have the cost apportioned 1) between local and toll services and 2) the local portion of any charge would be apportioned between carriers based on the respective usage of each.

OCC states that after submitting its June 1, 1995 Proposal, it continued to pursue means of addressing some of the other participants concerns. On that basis OCC submitted a revised proposal (OCC Proposal) to the Department on June 15, 1995 offering a more balanced perspective on the issue and what OCC considers the best compromise possible of the interests of the individual participants. OCC Brief, p. 10. The OCC's revised Proposal comprises two separate elements. The first part addresses the differences in network architecture and underlying network costs between the CLECs and SNET that affect termination charges. The second part outlines different mutual compensation mechanisms which OCC views as competitively balanced. OCC maintains that by offering the principal providers different compensation mechanisms, each carrier may select an arrangement that best meets its individual operational and financial objectives.

OCC notes in its proposal that during the opening phases of competition, CLECs will need to develop and build their networks piece by piece, a very capital-intensive and time-consuming process. OCC also contends that based upon traffic volumes, CLEC end office(s) will initially serve as virtual tandems. Therefore, OCC proposes the Department simply apply tandem charges to all traffic that is: "(i) conveyed to a CLEC 'switching office'; (ii) terminated at a subscriber connected to that office; but (iii) outside of the local serving area of the SNET end-office in which the 'switching office' resides." OCC notes that its proposal recognizes the functional reality that every CLEC switch will work as a tandem by allowing the new entrants to initially use tandem charges when they switch local traffic.

The second part of the OCC's Proposal outlines a recommended mutual compensation package. According to OCC, its proposal not only solves SNET's frustration with the CLEC Proposal, but avoids many of the economic disincentives to market entry perceived by many of the participants in SNET's Proposal.

OCC maintains that its proposal offers each carrier sufficient options to address various phases of competition. OCC proposes that during an initial, start-up phase,

carriers would operate under a Bill & Keep (B&K) arrangement. The initial phase would last 18 months after a date certain. CLECs entering the local exchange market within the 18-month window would operate under a B&K arrangement during the first 9 months of that carrier's operations. OCC contends that a start-up period is required to allow for competition to develop in a way that does not disadvantage either the new entrants or SNET which has to transform its business structure and culture to remain successful. OCC also contends that by offering the transition program which culminates in a long-term mutual compensation solution, SNET and the industry participants can accommodate their own interests while advancing the competitive objectives of the Act and the marketplace itself.

OCC further proposes that any CLEC entering the Connecticut market at the conclusion of the initial phase would be ineligible for the Bill & Keep option and would implement a pay-as-you-go method on a measured basis for the first year, wherein traffic decisions at the end of that year would determine whether or not the traffic was balanced enough between two carriers to justify using B&K on a going-forward basis. OCC states that the proposed period and cut-off date are fair because the original CLEC entrants will endure greater cost and risk in establishing the competitive local service market than later entrants. According to OCC, there will be a balance between the benefits and disadvantages to CLECs entering the market at different phases of its development.

Lastly, under the OCC Proposal, during the last two to three months of the allowed B&K period (i.e. months six to nine of the initial nine-month period), carriers will measure their traffic patterns to detect any carrier-specific imbalance. At that time, carriers would be liable for retroactive payments to reflect any traffic imbalances that occurred during the initial nine months of operation. Retroactive payments would be paid on a per-minute basis for the net traffic to the carrier terminating that net traffic. OCC also proposes that if both carriers are satisfied the traffic is sufficiently balanced, they may choose to continue operations under the B&K system for the next 12 months, or other mutually agreeable period. At the end of the 12 months, the carriers would again measure their traffic patterns to determine if a mutual compensation arrangement would be more cost effective than the Bill and Keep arrangement. At that time, if either carrier finds that the traffic is sufficiently out of balance to warrant a compensation exchange on a going forward basis, the carrier may select one of five different mutual compensation plans. Accordingly, each carrier, whether CLEC or SNET, would decide on the compensation method most appropriate for its method of operation.

OCC proposes five different plans to address many of SNET's concerns and take advantage of some of the more pro-competitive provisions of SNET's Proposal. OCC's five mutual compensation arrangements include:

a. Toll Traffic Option

The Toll Traffic Option, purposefully separates billing for terminating intrastate toll traffic and local traffic. Carriers would bill intrastate toll at intrastate access tariff rates and local traffic at another rate.

b. Two-Way Trunk Option

For carriers who select the Two-Way Trunk Option the price for a flat-rated trunk would be apportioned between the local and toll traffic in accordance with the respective volumes of each transported by the carrier. OCC states that such an allocation methodology is equitable because it permits individual companies to make choices relative to how they prefer to route their traffic.

c. Measured Rate Option

The Measured Rate Option is a per-minute of use charge that applies to all traffic transported over a particular trunk facility irrespective of the classification of the traffic being carried over it. The per-minute rate is based on TSLRIC costs (excluding local loop contribution) plus a 15% contribution to local loop costs. OCC states that TSLRIC and contribution costs will be determined according to the Decision in Docket No. 94-10-01. OCC also states the 15% contribution to the local loop is a negotiated level and is intended to adequately compensate SNET to the extent the local loop is priced lower than cost. OCC further states that the 15% contribution level may be mitigated to a lower figure as public policy dictates. OCC states, however, that when the cost studies unfold, they may indicate that the local loop is priced above cost in all categories, in which case the 15% contribution to local loop costs would no longer be necessary.

OCC maintains that it has separated the TSLRIC and contribution elements so that the local loop contribution can be visible and can be adjusted once the cost of the local loop is determined. According to OCC, the separation of these two elements is critical to the CLECs' endorsement of its proposal. OCC also maintains that separation of the TSLRIC of the loop from contribution would be a vast improvement over the other proposals presented thus far.

d. Combined Rate Option

The Combined Rate Option would use a blended per-minute of use rate for both local and intrastate toll traffic terminated at either a serving end office or tandem office. Under the OCC Proposal, the blended rate would be determined by a two-part formula. First, the TSLRIC cost for local traffic, without local loop contribution, would be calculated for the carrier. Second, TSLRIC costs, without Common Carrier Line charges, RIC and any other contribution elements associated with toll services would be calculated. The products of these two calculations would then be combined with a 15% common contribution to the local loop.

e. Flat Rate Option

The Flat Rate option would multiply the per-minute of use charge outlined above, by either 120,000 average minutes per month or the carrier's average monthly traffic load in the manner described earlier in the OCC's original proposal. OCC contends that this option satisfactorily addresses concerns expressed by SNET to its original

proposal. OCC also suggests that the proposal meets the need of the industry for both flexibility and price certainty as well as providing a pricing mechanism that reduces the possibility of a price squeeze by SNET. Additionally, termination charges based on a flat rate will assist new entrants to better forecast their future costs and properly determine whether to enter the local exchange market. OCC contends that at the same time, its proposed flat rate would not disadvantage SNET because it takes into consideration the current usage and traffic volumes of the particular carrier in calculating the respective price.

OCC argues that its proposal strikes a reasonable balance between SNET's interests and the CLEC's concerns in entering the local exchange market. OCC maintains that the mutual compensation mechanisms contained in its proposal treat all carriers with complete reciprocity while recovering network costs, contribute to the common costs of the local loop, promote cost efficiency on the part of all providers, and support development of a competitive environment. OCC also maintains that its proposal adequately protects the public interest and achieves the Act's goal of promoting the development of effective competition and maximum interoperability. OCC Brief, pp. 11-16; OCC Reply Brief, pp. 2-6.

The issue of compensation is a direct product of legislative changes outlined in Public Act 94-83 and, therefore, an issue of legitimate interest to this Department. Prior to enactment of Public Act 94-83 and its associated increase in local exchange carriers, the issue of traffic exchange between local exchange carriers was relatively manageable for both the participants and for this Department. SNET had limited compensation arrangements with Woodbury and NYTel. The terms and conditions of those arrangements reflected the noncompetitive, cooperative nature of their respective enterprises and the professional respect for each other as common carriers of telecommunications services. Traffic exchanges between the respective service areas of the local exchange carriers were governed by a relatively simple Bill & Keep arrangement. The Bill and Keep approach has been considered an acceptable solution in the past, because, by and large, local traffic was handled in the LEC's respective exchange areas in a noncompetitive manner.

Under provisions outlined in Public Act 94-83 and recent decisions of this Department, the LECs and CLECs can provide local service anywhere in the state in direct competition with each other. The Department is confident that the decisions that it has rendered to date will permit adequate opportunity for prospective local service providers to compete with incumbent local exchange carriers for local calls. Customers will select their respective local service provider, in large part, on the basis of service quality and services selection. Consequently, the Department expects CLECs to evidence aggressive marketing strategies and dynamic product alternatives to the standard local service offerings available today.

The Department recognizes the importance of achieving financial success on the part of every incumbent and prospective provider serving the state of Connecticut. Every enterprise wants to show its investors an early return. That is a generally

accepted expectation of every investor in a private enterprise, be it an individual or an institutional investor.

In this particular proceeding, all of the interested participants have indicated their interest in being compensated for costs that are incurred by them to complete a call placed upon the network of their competitor. Accordingly, a number of proposals have been presented to the Department for consideration and adoption. The generally accepted billing practice for telephone calls dictates that the billing agent for the call is the service provider of the originating party. Therefore, all pricing, billing and collection responsibility rests with the originating party's service provider. Consequently, the prices, terms and conditions governing any particular service offering are at the discretion of the provider to determine.

Conversely, an interconnected carrier that assumes the responsibility for completing any other originating carrier's traffic will incur certain financial and operational obligations to satisfy its market obligations. In so doing, however, the terminating carrier has no formal means of recovering its associated costs directly from the end user and must, therefore, establish other less direct compensation methods. To ensure that financial commitments to investors are satisfactorily met, each local service provider, like the competitive interstate toll carriers before it, must endeavor to recover its costs no matter where the traffic originates. The Department has, therefore, concluded that consideration by this Department of some form of mutual compensation between LECs and CLECs is critical to the achievement of effective competition and is of interest to the public of Connecticut. However, the Department has similarly concluded that any such compensation method approved for adoption by the Department cannot knowingly provide any individual party or group of participants a competitive advantage by the unwarranted use of the mutual compensation plan's terms and conditions. If any party subsequently can show harm that has been directly imposed by misuse, abuse or other unintended use of the plan to preclude effective competition, the Department will be prepared to formally reconsider its mutual compensation policy prior to any prescribed expiration date.

In an evolving competitive market such as Connecticut, compensation has been, and will continue to be one of the most contested and debated issues, and will continue to be a subject of discussion in the CLEC Working Group that the Department will establish pursuant to this Decision. Obviously, where the financial interests of the participants are involved, the Department expects there to be little initial agreement. However, the Department wishes to remind all of the participants in this proceeding that under Common Carrier provisions of both the State and of the FCC, certain duties, responsibilities and obligations are placed upon them in exchange for the rights and privileges of participating in these markets. The Department is sensitive to the need of every participant to ensure the interests of their shareholders and management are protected but the participants should remain mindful of their responsibilities to the public. Every prospective participant in the Connecticut market will be held by the public to the standards and industry traditions of the common carrier community that stressed corporate responsibility and professional courtesy. The Department, therefore, strongly encourages the participants to achieve reasonable accommodation

of their respective self-interests and strategies with the interests of the public in full interconnection and interoperability.

The Department takes note of the fact that all the participants to this proceeding agree that compensation rates should be cost-based and that each of their respective network costs should be recovered in the rates for the associated service. The Department is of the opinion that prospective CLECs will show preference for Bill & Keep arrangements because they will have little or no embedded network investment initially that needs to be recovered. The Department further believes that a Bill and Keep arrangement would be acceptable to all participants if both the traffic volumes and network architectures were relatively similar and the business relationship was not tainted by the specter of competition (i.e., similar to the relationship that SNET has traditionally experienced with Woodbury and NYTel).

However, arrangements between carriers similar to that among SNET, Woodbury and NYTel are not fully achievable or sustainable in the competitive environment envisioned for Connecticut. In a competitive environment, carriers will seek operational and technical efficiencies which offer competitive advantage and will naturally disrupt any state of equilibrium that has been previously achieved by the participants. The prospect of offering a lower price to the market for existing services or the introduction of new service offerings will create a competitive atmosphere which cannot be understated in comparison to the relationships that might exist between participants. Competing carriers will always be striving to increase their base of customers and lower their average cost for service in the process. As CLECs reduce their average cost to serve their customers in the future, they will correspondingly seek to reduce the average cost associated with interconnection.

In examining the testimony in this proceeding, the Department is of the opinion that traffic volumes or network architectures will never be anything better than roughly equivalent. There will always be a certain fluidity of the market because of the freedom of entry and exit that has been afforded by this Department's previous decision in Docket 94-07-01. Consequently, an influx of new providers is virtually assured for the future. Those providers will seek to provide their local service offerings through an array of existing networks and subnetworks that will emerge in a competitive market. "Competitors likely will offer local calling area packages that will be different from today's local areas." Wimer Direct, p. 10. This view is reinforced by the testimony of other participants. See for example MFSI's Brief, where it states that "for the foreseeable future, the CLECs' customers will be placing the vast majority of their calls to SNET customers." MFSI Brief, p. 21. The Department, therefore, finds no reason to conclude, nor any evidence to suggest, that network usage or traffic flows over networks will ever achieve complete parity. The Department finds sufficient evidence in this proceeding and in its previous proceedings associated with implementing Public Act 94-83 to suggest that these differences will extend to all aspects of local exchange competition: different packages, by different carriers, with different costs, on different networks, using each other's facilities at the cost of using the facility, providing equal opportunity and mutual compensation for all competitors.

According to SNET, a mutual compensation plan should "fairly" compensate each CLEC for terminating a call on the other's network. In the opinion of SNET the term "fair" means that the compensation method should be designed to recover costs, be compatible and enhance competition. SNET Brief, p. 4. The Department fully agrees that these are meritorious goals of any mutual compensation plan and the components of such a plan should endeavor to achieve those goals. The Department is not, however, of the opinion that such a goal must be guaranteed by the Department; that is, if it is demonstrated that a plan adopted by this Department for implementation does not achieve its intended goal that this Department is under additional obligation to "make whole" the party for any unrecovered loss. While the Department fully understands the historical experience by SNET with the access charge structure and usage concepts presented in its proposal and the fact that it has worked well in the past, the Department is of the opinion that an access charge structure would entail a level of financial responsibility on the part of all participants that is not beneficial to the interests of the State in the development of competition. Therefore, the Department rejects SNET's proposal for mutual compensation at this time. In doing so, the Department does not express any prejudice against the proposal and will fairly entertain reconsideration at a later date if harm can be demonstrated from this Decision.

SNET and each of the potential CLECs have ignored the principal fact that call completion responsibilities exist for every prospective provider in Connecticut as part of its service obligations. Those obligations were established by this Department in Docket No. 94-07-01 and reaffirmed in Docket Nos. 94-07-03, 94-07-04, and 94-07-07. Furthermore, the Department has concluded that availability and accessibility to a terminating facility is essential and necessary to the fulfillment of those obligations. The Department has previously determined that loop costs are legitimately recovered by every service that uses the loop in the completion of its task. See for example, the Department's August 8, 1990 Decision in Docket No. 88-03-31, Department of Public Utility Control Investigation into the Costs of Providing Intrastate Telecommunications Services by the Southern New England Telephone Company, the June 28, 1991 Decision in Docket No. 89-12-05, Department of Public Utility Control Investigation into the Rate Structures and Operational and Financial Status of the Southern New England Telephone Company - Phase II, and the Department's June 15, 1995 Decision in Docket No. 94-10-01. A portion of the loop cost is allocated to interstate toll under FCC jurisdiction, and the Department requires intrastate toll recover a share of the cost of using the loop. The loop is a common facility used by all, and represents an embedded investment that must be supported by the services that utilize it. The existing loop facilities have been designed to support multiple uses and multiple users. Future loop facilities will be designed to support an even greater number of uses (e.g., high capacity and video services) and users. The Department, therefore, believes that a continuation of current cost-sharing principles is completely appropriate in the multi-provider environment envisioned by Public Act 94-83. Therefore, each LEC and CLEC will establish a compensation rate which in principle will permit full recovery of its incremental network costs of providing termination plus a proportionate share of the last and essential link in the network, the loop facility. The concept is simple: "if you use it, you pay for it."

The Department notes that if the loop cost were removed from the cost structure equation approved by the Department, the Department would effectively remove the loop from competitive consideration. In the Department's opinion, Public Act 94-83 did not exclude any service or segment of local service from competition. The Department, in complying with the statutory provisions of the law, must include these costs in any regulatory construct it deems appropriate to use for implementation. Accordingly, the Department will direct all participants to include some contribution to loop costs and common costs in any adopted cost formula. Contrary to what some of the participants have proffered in this proceeding, the Department considers common costs as necessary costs for any supplier and are eligible for recovery.

The Department cannot knowingly adopt a philosophy that provides any user a "free ride" or accords any provider an unwarranted competitive advantage by exploiting loopholes in any Departmental policy. Any policy which prospective entrants to the market view as an unfair opportunity to succeed is as objectionable to this Department as any effort by an incumbent to impose unreasonable barriers to effective competition. "Free rides" will discourage future infrastructure enhancement and effectively reduce the public benefits of competition in all aspects of telecommunications. The Department believes that the Connecticut Legislature enacted Public Act 94-83 with the intent to foster competition in the local network operations as well as the long distance arena.

The Department finds that the OCC's revised mutual compensation proposal serves as a good foundation upon which to build an effective Mutual Compensation Plan. The OCC Proposal must be amended in several respects, however. First, this docket was initiated pursuant to Conn. Gen. Stat. § 16-247b, which requires the unbundling of the noncompetitive and emerging competitive functions of SNET's **local** telecommunications network that are used to provide telecommunications services and which are reasonably capable of being tariffed and offered as separate services. The OCC Proposal contemplates the inclusion of intrastate toll traffic in its Bill and Keep arrangement and in some of its other options. Given the scope of this proceeding, the Department believes it to be inappropriate to determine in this proceeding whether B&K and other mutual compensation alternatives are appropriately applied to the termination of intrastate toll traffic. At the same time, the Department recognizes that the issue should be addressed in light of the competitive environment envisioned by Public Act 94-83. The Department, therefore, entertains requests for Department review of the current access rate structure for intrastate toll traffic. A docket initiated for that specific purpose would be an appropriate forum for consideration of mutual compensation in the intrastate toll arena; such consideration is beyond the scope of the instant docket.

In limiting the Mutual Compensation Plan herein adopted to termination of local traffic, the Department is keenly aware that it must not allow the incumbent provider to dictate the definition of "local service" for these purposes. To do so would prove to be too restrictive and contradictory to the stated intent of the Department to foster product innovation and market differentiation. Therefore, for the purposes of applying this Decision's requirements, the Department will consider "local service" to be a tariffed service that offers a subscriber dial access to a prescribed set of contiguous central

office prefixes (NXX's) to be determined by each respective provider without imposition of any additional charge associated with distance. Under this definition, usage charges are permitted but cannot exhibit a distance-sensitive differential. Such definition allows each provider to determine its unique local calling area(s). Only those local service options will be subject to the Mutual Compensation Plan herein adopted. It is important to put all providers on notice that any willful misrepresentation of PLU (Percent Local Use) will be grounds for revocation of a provider's CPCN.

The second modification to the OCC Proposal is that the Department will defer decision as to the appropriate contribution to local loop costs. OCC proposes a 15% contribution in Mutual Compensation rates. Because the costs of the local loop are currently under consideration in Docket No. 95-06-17, any level of contribution to local loop costs that may be necessary will be determined in that docket. A Final Decision in that docket is expected on December 20, 1995, well before the Measured Rate Option or Combined Rate Option which contain the local loop contribution would be available as a mutual compensation arrangement.

The Department is sensitive to the fact that all of the participants in this proceeding have been asked to propose recommendations to the Department on this issue with relatively imperfect information regarding the future state of competition. The level of uncertainty expressed by the participants about specific aspects of this issue is to be expected given the lack of experience by anyone in the United States -- be they an incumbent or a prospective provider -- in this particular area. And while related experience in the interexchange services and wireless services areas may offer some useful perspective of what might happen, it would be imprudent on the part of this Department to assume that such experience will be indicative of events in the local service market. Therefore, the Department will adopt for use the OCC revised Proposal, with modifications as explained above, and will order immediate development of the associated procedures and protocols for its implementation.

The Mutual Compensation Plan herein adopted will adequately promote competition by encouraging prospective participants to enter the market without having to incur significant, and perhaps unnecessary, administrative costs for measuring, billing and collecting local service traffic at the very critical early stages of market entry. The endorsed plan is consistent with the expressed intent of the Legislature to reduce or eliminate unnecessary obstacles to market participation. Furthermore, the Department has previously stated its intent to promote, wherever possible, full and fair competition without according any individual participant or group of participants unwarranted advantages or protections. Given the provisions for a subsequent "true-up" by the participants, the plan herein adopted ensures against that possibility while presenting little or no risk to the Connecticut public.

F. RESALE

The proposed Stipulation offers very limited agreement by the participants on the scope and scale of SNET services to be made subject to resale. Acceptance by the participants of the terms and conditions governing resale of local service specified in

the Stipulation does not legally or procedurally preclude signatory participants from petitioning this Department to broaden the scope of required resale authority. Therefore, in this proceeding, a number of statements have been made by participants suggesting that this Department supplement the set of SNET services to be made subject to resale in support of greater competition. SNET counters the proposals of other participants arguing that Conn. Gen. Stat. §16-247 is quite specific as to the scope of SNET's resale obligation requiring it to only offer on an unbundled basis the noncompetitive and emerging competitive functions of its local telecommunications network. In the opinion of SNET, since the application of statutory resale obligations limits resale to noncompetitive and emerging competitive service classifications, resale obligations for any service not subject to unbundling are limited to only those services that are similarly classified as noncompetitive and/or emerging competitive. SNET asserts that under current statute and Departmental interpretation, intraLATA toll services are not local services nor are they specifically addressed in any such context in Public Act 94-83. Furthermore, SNET states that by year-end 1996, all but three percent of the state's access lines will be technically capable of supporting intraLATA equal access suggesting that competitors will have the technical ability to independently achieve functional equivalence and market parity with SNET's intraLATA toll products without having to resell its toll services. SNET suggests that the effort by participants in this proceeding to extend the scope of resale beyond that mandated by the statute is purposely intended to create competitive advantage by establishing asymmetrical rules. SNET proposes that if the Department feels compelled to order SNET to make available its competitive services for resale, the Department should similarly order competitive firms providing similar telecommunications services to make available their respective products for resale.

As would be expected, a number of participants propose that SNET be formally directed by the Department to make available for resale all of its telecommunications service offerings irrespective of current classification and including intraLATA message toll service (MTS). In its submission, AT&T states that any reluctance by SNET to make available for resale all of its regulated services would place facilities-based and non-facilities-based providers at a significant competitive disadvantage at early stages in the market's development, would contribute to customer confusion and discontent and would inhibit the pace of competitive development in Connecticut. AT&T further submits that the Department has a responsibility to ensure that the effective tariff date for any SNET service made subject to resale is not made contingent upon the establishment of a universal service fund. AT&T makes this request in the belief that SNET has failed to submit evidence to the Department in this proceeding or prior proceedings that such a fund is needed to achieve competition. Similarly, AT&T argues that SNET has not in this proceeding provided the Department any substantive evidence to indicate that the public would be better served by delaying implementation of any proposed resale tariff until the fund is established. Therefore, AT&T recommends the Department deny SNET's offer to withhold its resale offerings until the Department has had opportunity to fully address the universal service fund issue.

AT&T expresses strong disagreement with SNET's offer to make available any telecommunications services which will be subject to resale provisions at a price based

upon the Total Service Long Run Incremental Cost (TSLRIC as previously defined by this Department in Docket No. 94-10-01) plus some level of contribution. To counter SNET's proposed approach, AT&T suggests that the price for intrastate services subject to the resale requirements be based on the current retail rates of the respective services less all avoidable costs and revenues resulting from the stimulation of SNET's business in consequence of reseller marketing strategies and activities. AT&T warns the Department that the proposed local market services pricing methodology will thwart competitive entry and deny the Connecticut public its due benefits of competition. AT&T Brief, pp. 14 and 15, 27, 35 and 36, 39,51;

Similar to AT&T, Lightpath asks that the Department formally direct SNET to make available for resale all of its telecommunications services, but offers to the Department its opinion that any corresponding requirement placed upon it is unnecessary at this time. Lightpath suggests that any decision by the Department to impose resale requirements on CLECs would be considered by them as a significant barrier to entry, unnecessary and counterproductive to the achievement of the Act's goals. Lightpath qualifies its opposition to any CLEC resale obligations, however, suggesting that to the extent any resale obligation must be borne by new entrants it should be delayed until a CLEC achieves a substantive degree of market power or penetration, or passes a certain number of homes. Lightpath Brief, pp. 25-27.

OCC offers additional support to the arguments presented by both AT&T and Lightpath. Specifically, OCC proposes that SNET be directed to make available both message toll service and local exchange service for unqualified resale by prospective competitors and to make its residential local service available for resale immediately without consideration for any universal service fund. OCC predicates its latter recommendation on the fact that neither the Act nor any Department order in prior proceedings pertaining to local service competition have explicitly linked resale of local service of any kind to the establishment of a universal service fund. OCC Brief, pp. 22-25

The Stipulation presented by the participants in this proceeding proposes to have SNET offer at a wholesale price a set of functionally equivalent local service products that will permit the CLECs to immediately meet their basic service obligations and to provide a local service alternative to SNET. For example, pursuant to the Stipulation, SNET has proposed tariffs for unbundled service element offerings, wholesale local service products, wholesale service pricing proposals, and universal service fund components. The Department envisions the proceeding addressing those proposals, Docket No. 95-06-17, to be the first of a set of focused examinations to determine the cost levels and prices that will be applied to any wholesale service and unbundled element approved by this Department for resale.

The Stipulation prescribes an orderly and objective administrative process for use by the participants to efficiently manage subsequent requests by interested participants for additional SNET resale offerings. Wimer Rebuttal Testimony, pp. 12 and 13. Specifically, the Stipulation provides that once the participants have identified to SNET the specific services that they believe should be resold, and in the event SNET

does not respond to that carrier's request within the 40 day time frame, the CLEC may formally request that the Department initiate a proceeding to address the resale request.

Although the Stipulation offers interested participants a reasonable framework for developing competition by reselling SNET telecommunications services, the terms of the Stipulation do not -- nor do the submissions in this proceeding -- support a finding by this Department that all SNET services (noncompetitive, emerging competitive and competitive) be made subject to resale provisioning requirements at this time. With the exception of message toll service, no participant proposed any specific SNET service(s) be offered for resale or indicated specific interest in any service other than those included in the proposed Stipulation. Furthermore, the participants have not presented any empirical or qualitative evidence to the Department in this proceeding that would suggest end-user interest in the resale of all SNET services and functions that currently exist. In the Department's opinion, any requirement by it that SNET make available all of its services for resale would unnecessarily require SNET to conduct extensive cost of service studies, incur additional product development and market research costs, and undertake the prescribed formal tariffing procedures all without any guarantee that the costs associated with these activities would be recovered in the ultimately approved wholesale prices for such services. The imposition of a broad, unilateral resale requirement upon SNET by this Department would place an inordinate economic burden upon SNET without any corresponding responsibility on other service providers. Such discriminatory treatment of SNET would knowingly contribute to a market imbalance that is in direct conflict with provisions of Public Act 94-83 and would severely retard future infrastructure development in Connecticut. Accordingly, the participants request that SNET be required to open all its services to resale is hereby denied. In considering AT&T's specific request that SNET be required to resell its message toll service, the Department notes that the imminent arrival of equal access presubscription moots the competitive concerns expressed by AT&T.

With respect to the request by Lightpath and OCC to not delay implementation of local service resale pending the establishment of a universal service fund, the Department considers the scheduled conclusion of Docket No. 95-06-17 by December 6, 1995 to offer all participants resolution to both of these issues in the most expeditious manner. As suggested by the participants early in this proceeding, the Department has not pronounced -- nor will it pronounce in this proceeding -- any conditional link between the resale of SNET local service and the establishment of a universal service fund. The basis for the Department's position rests with the fact that to date evidence presented in all of the Department's proceedings related to implementation of Public Act 94-83 offers inadequate information needed to establish the magnitude of any such fund. Hearings are currently scheduled in Docket No. 95-06-17 for September and October 1995, wherein the participants are encouraged to submit empirical analysis with the Department that will permit it opportunity to make a fair determination of the need for this fund. Based on the schedule and scope of that proceeding, resolution of the universal service funding issue sought by all participants in this proceeding will be provided.

G. Pricing Methodology

The participants have to date been unable to reach agreement regarding how SNET's wholesale local service offerings, its unbundled local service elements, and its mutual compensation plan should be priced to prospective resellers. Relative to pricing any services subject to resale provisions, SNET states that it intends to price its wholesale local service offering and unbundled local service elements, and mutual compensation plan consistent with the Department's June 15, 1995 Decision in Docket No. 94-10-01. Specifically, SNET proposes to price these services above their TSLRIC, including a recovery for a portion of the overhead costs. SNET maintains that all services should be priced to recover all SNET's costs, including joint and common costs. SNET Brief, pp. 26-31; SNET Reply Brief, pp. 10-17, 21-23.

With regard to SNET's proposal to price at TSLRIC plus contribution its wholesale local service offerings, its unbundled local service elements, and its mutual compensation plan, the Department previously concluded in its June 15, 1995 Decision in Docket No. 94-10-01 that the price for any service offering could not be set at a level that is just equivalent to the long run marginal cost of the respective service if SNET was to be expected to recover all of the common network investment cost and expense associated with that service that would not be reflected in such a price. The Department, therefore, concluded that any price approved by the Department must legitimately provide some element of contribution to offset joint and common costs of provisioning the underlying technologies that are shared throughout SNET's network. June 15, 1995 Decision, Docket No. 94-10-01, p. 24. In that proceeding and others sponsored previously by this Department the testimony of the participants continued to call attention to the fact that accessibility to the network and network services of SNET by prospective providers is absolutely critical to the achievement of effective competition in the near future. On countless occasions, participants called attention to various databases, billing systems and technologies that were available to SNET and to which they believed they were entitled access.

The Department is very much aware of the important role such systems and subsystems play in the delivery of telecommunications services to customers, be those retail and/or wholesale customers. The Department is also very much aware of the fact that the costs for such ancillary capabilities are not necessarily included in the computations of cost using TSLRIC methods. The Department will further consider the precise level of contribution that may be afforded SNET by specific wholesale service offerings in the context of Docket No. 95-06-17. While the Department has endorsed the principle that prices should contain some level of contribution to common costs, the Department is not necessarily of the opinion that a prescribed contribution level to be applied to every service is either prudent or purposeful in a competitive environment. Therefore, the Department will require SNET to amend its standard tariff filing requirements with the Department to clearly segregate the level of contribution above TSLRIC being sought within the proposed price. This step will permit the Department to fully and fairly examine both the level of contribution being considered for the service as well as the aggregate value of the contribution to SNET's future financial performance. The Department reserves the right to reduce or reject any portion of the proposed

contribution it deems to be unwarranted, unfair or unnecessary at the time of the tariff approval. All interested participants will be invited to offer evidence to the Department in support of their respective view on how large or how small "reasonable contribution" should be for any particular service.

H. NXX PROGRAMMING AND ADMINISTRATION

In its submission, SNET proposes that it be permitted by the Department to apply a fee to CLECs for costs incurred by it in programming central office switches to accommodate new NXXs and to administer the assignment of NXX codes among competing providers. SNET also recommends that a joint tariff be filed to recover any cost associated with NXX programming, wherein the entity requesting the new NXX will pay the local exchange carrier to reprogram its central office switches with the new NXX. SNET Brief, pp. 31 and 32; Wimer Rebuttal Testimony, p. 20.

The participants generally argue against SNET's proposal as unnecessary and unwarranted. OCC asserts that while SNET currently administers the code assignments, it does not have ownership of the unassigned NXX codes and, therefore, cannot claim any entitlement to compensation for their ultimate assignment. OCC recommends that the Department ensure the distribution of NXX codes is regulated through a neutral and equitable process to prevent any appearances of anticompetitive behavior. Though SNET's proposal would, in part, place the cost burden of competitive participation on those carriers requiring new NXX codes (consistent with cost-causation principles expressed elsewhere in this proceeding), the OCC recommends that the Department not depart from traditional cost allocation arrangements without strong evidence that another method is warranted. OCC Brief, 27-28. AT&T counsels the Department to not permit SNET to charge for establishing NXXs in its central office switches, and recommends that a task force be established to investigate and negotiate a solution to this matter in lieu of any Departmental directive. AT&T Brief, pp. 74-77. Similarly, Lightpath argues that SNET should not be permitted to charge for NXX programming or administration because the Central Office Code (NNX/NXX) Assignment Guidelines do not contain a provision dealing with fees that NXX code administrators may charge for administration or programming of NXXs. Lightpath similarly argues that SNET has not provided an adequate foundation of evidence on which to base its new NXX administration charges. Additionally, Lightpath argues that SNET's proposal attempts to discriminate against the CLECs and to target them with additional charges not predicated on any real incremental cost. Accordingly, Lightpath recommends that the Department reject SNET's proposal to charge for NXX administration and programming. Lightpath Brief, pp. 23-25.

MCI similarly expresses opposition to SNET's NXX proposal. MCI contends that SNET should not be permitted to charge for provisioning NXX codes to new entrants or existing local exchange providers. MCI Brief, pp. 24-27. MFSI concurs and states that SNET's NXX proposal is an effort to erect a barrier to entry. MFSI also states that if approved, SNET's proposal would impose upon all participants considerable administrative burdens to calculate costs. MFSI further states that if administrative costs are allocated among all Connecticut carriers, they should be allocated on a per-subscriber basis. MFSI Brief, pp. 37-39; MFSI Reply Brief, pp. 5-9. NECTA recommends that a neutral third party should control any numbering resources, since they are shared public resources and not the property of any individual carrier. NECTA recommends that all providers of local exchange service be responsible for the costs

that they may experience as a cost of doing business. Additionally, NECTA states that SNET has failed to identify what specific expenses are directly attributable to the SNET's role as number administrator, how they should be calculated, and why the costs should be distributed equally among all local service providers. NECTA Brief, pp. 3 and 4. TCG recommends that the Department order carriers to process NXX codes at no charge. TCG also recommends that, until NXX code administration becomes the responsibility of a neutral party, the Department not permit special recovery of the costs associated with it. Finally, TCG recommends the Department direct SNET to administer codes without charge and all carriers should treat NXX processing costs as their own costs of doing business for the present time. TCG Brief, pp. 15-17; TCG Reply Brief, pp. 9 and 10.

Historically, SNET served as the NXX administrator for the State of Connecticut. In so doing, it performed a service for the state and performed it well. However, with broader market participation endorsed by Public Act 94-83 and previous Departmental actions, the Department deems that a different approach to number administration will be required in order to ensure that there is no bias in the administration of NXX codes. Proper, unbiased, and efficient administration of the NXX codes for Connecticut is essential for a smooth transition to a competitive market.

Many participants in this proceeding have expressed agreement that number assignment and administration should be done by an unbiased and independent party. NECTA Brief, p. 3, SNET Brief, p. 32, and Sprint Brief, p. 9. SNET, AT&T and Lightpath have recommended that the Department take over the function. The Department concurs with the participants that appointment by this Department of a neutral third party to serve as number administrator is appropriate and prudent. NXX codes, either in use or available for use, are not the property of any carrier, CLEC or administrator. They constitute public resources that this Department will assume stewardship responsibility for in the future. NXX codes are a public resource that must be managed for the benefit of the public. Furthermore, the Department finds that any reassignment of NXX codes by participants to another party in consequence of market withdrawal, reorganization, bankruptcy, etc. will only be permitted with the approval of the administrator and this Department and will be consummated without remuneration by any party to another.

On July 13, 1995 the FCC issued its Report and Order, In the Matter of Administration of the North American Numbering Plan. In that order, the FCC found it would be beneficial to establish a neutral third party to handle both the North American Numbering Plan (NANP) administration and the function associated with Central Office (CO) code administration. CC Docket No. 92-237, para. 15 and para. 73. SNET currently performs the CO administrative function referred to as number assignment and administration in this proceeding. The Department does not necessarily agree with the FCC that industry controlled administration is essential to effective administration, nor does the Department agree that centralization of all functional responsibilities to a single industry controlled administrator will be any more inherently beneficial than other administrative models that might be considered. The Department, however, believes that independent administration is essential and will, therefore, authorize establishment

of an independent administrative agent responsible to this Department. Moreover, if the Department subsequently finds that such administrator or such administrative model is not serving the best interest of Connecticut citizens, then direct responsibility for this function will be transferred to the Department for fulfillment.

With reference to SNET's proposal to impose actual annual costs to those carriers purchasing NXXs, either already dedicated or for future distributions, no party has challenged the fact that these costs exist and a request for their recovery is legitimate. The Department believes that any recovery method which places the burden on a single provider is unfair, fails to acknowledge the residual benefit of such reprogramming to the customers of all providers and unnecessarily impedes the development of effective competition in the state. Efficient and effective provisioning of NXX codes is essential to all service providers and the policies of this Department should reflect that. SNET has proposed an equal distribution of cost based upon the number of carriers serving the market. The Department does not find this arrangement to be sufficiently representative of the cost or the value of effective administration. Therefore, until such time as the administration of this function is transferred to an appointed agent of the Department, SNET shall proportion its administrative costs to all service providers in a market, including SNET or any SNET affiliate unit engaged in providing equivalent services, based upon the new numbers assigned. Any recovery for NXX administration by SNET during the transition must be based solely on those costs associated with the administration of NXX codes and SNET is entitled to recovery for costs associated with NXX administration only from the date of this Decision. The costs recovered shall be consistent with the Department's findings in Docket No. 94-08-02, Application of The Southern New England Telephone Company to Offer a Generic Wireless Interconnection Service. As discussed in greater detail below, however, each provider will be responsible for its own internal programming costs.

In addition to each provider assuming financial responsibility for its own programming costs in consequence of any change in NXX codes, the participants will also be responsible for updating and changing the programming for their own equipment to reflect other carrier-sponsored changes. Previous instructions from this Department have been sufficiently clear on this matter. The Department believes that each company has the duty and obligation to maintain their systems in such a manner that does not delay services or delivery of services to other network participants or consumers. The Department strongly encourages the interested participants to establish a procedural framework and mutually agreeable timetable that provides timely notification and information to the administrator and all other participants of impending changes, replacements or upgrades. This timetable should be developed in a continuing work group made up of all service providers.

I. INTERIM NUMBER PORTABILITY

While the Stipulation offers the Department an interim number portability solution (which includes the use of call forwarding), SNET has proposed that a flat monthly rate be charged to the requesting carrier (including SNET) for each telephone number forwarded under the interim number portability solution as set out in the Stipulation.

SNET states that it has proposed such a charge to cover the switch memory capacity costs involved in call forwarding a number (which SNET expects will increase each time the end-user requests that more than one call be forwarded at a time). Additionally, SNET states that it has proposed this charge to encourage carriers to remove the number portability function charged to them when a customer changes service providers, thereby avoiding multiple call forwarding, which SNET claims may adversely accentuate the delay and feature limitations of the interim proposal. SNET Brief, p. 33.

The participants generally disagree with SNET's proposal contending that these costs should be borne by all carriers, SNET and the CLECs alike. For example, AT&T states that the price for interim number portability should reflect incremental costs (i.e., TSLRIC) to provide the service. AT&T Reply Brief, pp. 35-37. Lightpath states that the cost of interim number portability is the financial responsibility of all local customers because both customers and carriers will be receiving the benefits of competition. Lightpath Brief, p. 18. MFSI states that the Department should adopt a pricing approach that will not negatively affect customer choice or impose a financial penalty on CLECs or end users. MFSI also states that the terms of interim number portability should not prevent carriers from collecting access charges for calls terminating on their respective networks. Accordingly, MFSI recommends that portability-related costs be recovered from all Connecticut telephone users, through a surcharge on all working telephone numbers. Furthermore, MFSI recommends that the carrier completing the call receive its proportion of switched access charges and its proportion of access charge rate elements and transport charges. MFSI Brief, pp. 33-37; MFSI Reply Brief, pp. 10-12. Similarly, NECTA states that the costs attendant to local number portability should be spread across all customers and recovered in that manner, and not be the exclusive (or even primary) responsibility of CLECs or CLEC customers. NECTA also recommends the Department establish firm milestones for development and implementation of a data-base solution for local number portability, with a target for implementation no later than January 1, 1997. NECTA Brief, p. 6; NECTA Reply Brief, pp. 8 and 9.

Number portability is a national industry issue and as noted above, the Stipulation prescribes a set of procedures that offer a long term number portability solution while providing a temporary solution on an interim basis. The record indicates that a permanent number portability offering using a "database solution" is approximately two years away and the Department is encouraged by that news. Salvatore Testimony, pp. 20 and 21. However, for this Department to foster local competition in Connecticut in the interim period, it will be necessary to use a number of available alternatives (e.g., Remote Call Forwarding (RCF) or Direct Inward Dialing (DID), NXX reassignment, etc.) to provide the functional capability required by the market. However, the apparently imminent arrival of a permanent solution makes this Department reluctant to direct SNET to undertake any independent data-base development solely for purposes of satisfying the need for local number portability. Therefore, the Department will confine itself to ordering SNET to make available upon bona fide request such RCF, DID or NXX reassignment services as required by a prospective provider to satisfy their need for number portability until such time as database portability is generally available.

Remaining at issue is recovery of the costs associated with providing number portability on an interim basis. It is the Department's opinion and generally conceded by all of the participants in this proceeding that local competition will benefit by the general availability of number portability. Recovery of the costs associated with the provision of this service requires that it be conducted in a fair and equitable manner so as to not burden one carrier over another or the Connecticut consumer. Since all service providers and consumers will most likely benefit from a long term solution to the number portability issue, it is clear that that all carriers alike (LECs and CLECs) would be responsible for the costs of deploying the technology. However, since the use of RCF or DID on an interim basis will benefit only a relatively small number of carriers and consumers, the Department does not believe that it is appropriate, nor is it equitable that all end users be responsible for the costs, given this is a temporary offering that will be replaced within a short time. Since this interim solution will principally benefit new market entrants and a select group of end users, it is the opinion of the Department that only they should be held responsible for any cost associated with its provision. Accordingly, until such time as a long term number portability solution is offered, only those carriers requesting an interim arrangement will be responsible for the costs associated with its provision. Therefore, SNET's proposal to impose a flat rated charge is approved.

The Department finds that the CLEC that receives a call forwarded under interim number portability plans shall receive the access charges.

J. MECHANIZED INTERFACES

AT&T recommends SNET develop methods and procedures to implement numerous operational issues that arise in providing local service. While acknowledging the Stipulation requires SNET and the CLECs work to cooperatively develop methods and procedures addressing the numerous operational issues, AT&T recommends the Department (with industry input) establish milestones as well as an end date to resolve operational issues. AT&T asserts that mechanized interfaces and efficient operational methods and procedures between SNET and the CLECs are essential, are significantly more efficient and cost effective than manual interfaces and are necessary for completing service orders, provisioning and customer service requests in an accurate timely, efficient and cost effective manner. Additionally, AT&T contends that mechanized interfaces will provide for a more streamlined process and supports a consistent and uniform set of detailed specifications to achieve approved levels of quality and performance. Therefore, AT&T recommends the immediate implementation of mechanized interfaces between carriers when providing service in Connecticut. AT&T further recommends that SNET not be granted any form of relaxed regulation, including price caps, until SNET implements mechanized interfaces. AT&T Brief, pp. 78-83.

Lightpath agrees with AT&T's recommendation to develop industry standards for efficient order processing, but argues that mechanized interfaces should only be incorporated where they are determined to be efficient. Lightpath also disagrees with a

universal requirement that all entrants incorporate such interfaces into their networks without regard for their relative efficiency, technical or economic feasibility. Lightpath notes that there is insufficient technical information in the record of this proceeding to support a finding that all carriers must have the same interface system. Lightpath Brief, pp. 15 and 16.

SNET maintains its commitment to provide the most efficient and cost effective means of providing interfaces for provisioning and maintenance purposes. SNET also maintains that building a mechanized interface could be expensive and complicated and that its current systems were not built to accommodate multiple user interfaces. SNET states that it supports the language in the Stipulation that the participants work together to cooperatively develop solutions, without unnecessarily involving the Department in these matters. However, SNET objects to AT&T's proposals and states that there is nothing to support tying SNET's alternative regulation plan to these mechanizations. Wimer Testimony, pp. 22 and 23; SNET Reply Brief, p. 28.

The Stipulation provides for SNET and CLECs to cooperate with each other to resolve issues impeding the development of local exchange competition in Connecticut. The Stipulation also puts into place processes that address issues resulting from a multi-carrier environment. The Stipulation also establishes procedures to address the issues of network design and management, service intervals network outages, trouble reporting, etc. Key to the Stipulation and throughout the "Operational Procedures" Section is an agreement by the Signatories to "work cooperatively" in attempting to address and resolve issues. Resolution of the identified issues related to manual interfaces is no different and should be addressed between the Signatories before involving the Department. The Department also expects that there are other issues which have not yet been identified or may be unique to certain carriers, which will require the participants to negotiate on an ongoing basis. The Department encourages the Signatories to work out these issues on their own in a reasonable time period as a demonstration to it and to the public that a self-directed market can place the public's interests above it's own self-interest and merits greater discretionary authority over its affairs in the future. In the event SNET and/or a CLEC cannot work out an acceptable solution, the Signatories may then request the Department to intervene to resolve that particular issue. Finally, in light of the above, the Department finds no relationship between SNET's request for alternative regulation and the development of mechanized interfaces; therefore, AT&T's recommendation that the Department delay approval of SNET's request for relaxed regulation to be without merit and hereby denied.

K. WHITE AND YELLOW PAGES

AT&T contends that CLECs will be competitively disadvantaged and their end users will not have comparable access to information about CLEC services as they would for SNET services if they are not afforded the same opportunity to provide information in a widely distributed manner such as SNET's white and yellow pages. AT&T recommends that CLECs be permitted to provide the same type of information about their services in the information sections of SNET's white and yellow pages under the same terms and conditions, as SNET. AT&T also recommends that the CLECs be

charged the same rate(s) as SNET's cost to provide itself space in the informational sections of its white and yellow page directories. AT&T Brief, pp. 77 and 78. MFSI concurs and recommends that the Department's Decision be drafted accordingly. MFSI also recommends that for those CLECs providing directory assistance (DA) service to their customers they be provided the same on-line access to the DA database that is available to SNET's DA operators, at the same rate SNET charges itself for such service. MFSI Brief, pp. 39.

The Department finds that all CLECs should be afforded every opportunity to include information in SNET's White and Yellow Page directories under the same terms and conditions and at the same rate(s) as SNET or a SNET affiliate. Any willful effort to unreasonably impede, limit or otherwise restrict competitive access to SNET's directories cannot be supported. Similarly, any effort to establish rates, terms and/or conditions for access to such information channels that are different from those imposed upon the telephone company or its affiliate business units for time or space will be considered a potential violation of the affiliate transactions rules outlined by the FCC and this Department. The Department will, therefore, direct SNET to develop administrative procedures and prices that will afford interested CLECs the opportunity to include information in SNET's directories under the same terms and conditions and at the same rate(s) as SNET or an SNET affiliate. Regarding the MFSI recommendation that CLECs be provided the same on-line access to SNET's DA data base, the record of this proceeding is inconclusive to support such an order. MFSI and other interested CLECs are encouraged to work with SNET to develop an acceptable resolution to this issue. Should the participants be unable to negotiate an acceptable solution to this issue in a timely manner, they may at that time request the Department intercede. Accordingly, the MFSI request is hereby denied.

L. TARIFF FILINGS AND CONTRACTS

The participants have been unable to agree to tariff filings concerning unbundled elements vs. a contract without tariff filings. The Industry Participants seem unable to agree upon the proper format to follow. For example, MCI opposes contracts and believes that all arrangements for interconnection and unbundling should be by tariff. TCG prefers contracts. Sprint and Lightpath prefer tariffs but will accept contracts if terms are disclosed and are made available to all similarly situated CLECs. OCC also opposes contracts. Cornell Direct Testimony, pp. 24 and 25; Kouroupas Direct Testimony, p. 33; Tr. 5/9/95, pp. 623 and 624, 686, 693 and 694. The Department believes that to ensure that carriers are afforded access to unbundled rate elements under the same terms and conditions, rate setting must be conducted in an open and public forum. Therefore, SNET is hereby ordered to file all proposed arrangements for interconnection and unbundling pursuant to tariff.

V. FINDINGS

1. Consistent with the goals articulated in Public Act 94-83, the Stipulation will promote the universal availability and accessibility of high quality, affordable