

TITLE 14: PUBLIC SERVICE CORPORATIONS, CORPORATIONS AND ASSOCIATIONS, SECURITIES REGULATION

CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES

ARTICLE 13: TELECOMMUNICATIONS INTERCONNECTION AND UNBUNDLING

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ARTICLE 13. TELECOMMUNICATIONS INTERCONNECTION AND UNBUNDLING

R14-2-1301. Application of Rules

These rules govern interconnection requirements as provided in R14-2-1112. These rules apply to the provision of local exchange services by and between local exchange carriers as those terms are defined in R14-2-1102.

R14-2-1302. Definitions

In this Article, unless the context otherwise requires, the following definitions shall apply:

1. "800 data base" means an 800 service data base that contains information on the screening and routing of 800 numbers that are in service.
2. "AIN data base" means a data base that is used in connection with an Advanced Intelligent Network (AIN) architecture. The AIN architecture enables telecommunications service providers to introduce advanced telecommunications services.
3. "ALI" or "Automatic Location Identification" means the process of electronically identifying and displaying the name of the subscriber and address of the calling telephone number to a person answering a 9-1-1 call.
4. "Central Office Code" means the first three digits of a seven-digit telephone number. Central office codes are assigned to telecommunications providers by the central office code administrator in accordance with the industry's central office code assignment guidelines.

- 5. "Centralized Message Distribution System" or "CMDS" means the system managed by Bellcore that assists in billing third party calls. Access to CMDS requires a Bellcore client company host.
- 6. "Directory Assistance Database Listings" means customer name, address and telephone number listings in the LEC directory assistance database.
- 7. "E911" access means the ability of a LEC to interconnect with and deliver emergency calls, and associated ANI and ALI information, where available, to the E-911 controlling office for further routing to the appropriate Public Service Answering Point.
- 8. "Essential facility or service" means any portion, component, or function of the network or service offered by a provider of local exchange services: that is necessary for a competitor to provide a public telecommunications service; that cannot be reasonably duplicated; and for which there is no adequate economic alternative to the competitor in terms of quality, quantity, and price.
- 9. "Extended Area Service" or "EAS" means local (toll-free) calling provided between local exchange carrier exchanges (service areas).
- 10. "Incumbent Local Exchange Carrier" means any company providing service as a local exchange carrier in Arizona prior to June 23, 1995.

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11. "Interconnection Services" means those features and functions of a local exchange carrier's network that enable other local exchange carriers to provide local exchange and exchange access services. Interconnection services include, but are not limited to, those services offered by local exchange carriers which have been classified by the Commission as essential services.
12. "LIDB" or "Line Information Data Base" means a data base that contains access line information that is used by telecommunications service providers for billing validation.
13. "Local Exchange Carrier" or "LEC" means a telecommunications company that provides local exchange service as one of the telecommunications services it offers to the public.
14. "Local Number Portability" means permitting customers to choose between authorized providers of local exchange services within a given geographic area without changing their telephone number and without impairment of quality, functionality, reliability, or convenience of use.
15. "Mutual traffic exchange" means the exchange of terminating local and EAS traffic between LECs such that all LECs terminate the local exchange traffic of all other LECs without explicitly charging each other for such traffic exchange.
16. "New Entrant Local Exchange Carrier" or "NELEC" means any company certificated by the Commission after June 23, 1995 as a local exchange carrier.

17. "Numbering Plan Administration" or "NPA" means a specific geographic area identified by a unique NPA code. The NPA (area code) is a 3-digit code that identifies the NPA for purposes of call routing. The NPA Administrator is the entity within an NPA that assigns central office prefixes (telephone numbers) to users in the NPA.
18. "Public Safety Answering Point" or "PSAP" means a communications facility operated on a 24-hour basis that is assigned the responsibility to receive 9-1-1 calls and, as appropriate, to dispatch public or private safety services or to extend, transfer, or relay 9-1-1 calls to the appropriate public or private safety agencies.
19. "Rate Center" means specific geographic locations from which airline mileage measurements are determined for the purpose of rating local, Extended Area Service (EAS) and toll traffic.
20. "Reciprocal Compensation" means the arrangement by which local exchange carriers compensate each other for like services used in the termination of local calls between the customers of the two carriers.
21. "Total Service Long Run Incremental Cost" or "TSLRIC" is as defined in R14-2-1102(17).
22. "White Pages Listings" means customer name, address and telephone number listings in the white pages section of LEC telephone directories.

23. "Yellow Pages Listings" means customer name, address and telephone number listings in the yellow pages section of LEC telephone directories.

R14-2-1303. Points of Interconnection

- A. Incumbent LECs and NELECs shall, by mutual agreement, arrange for the points of interconnection of their respective networks.
- B. Each company interconnecting pursuant to the provisions of this Section shall be responsible for building and maintaining its own facilities to the point of interconnection.
- C. Each company interconnecting pursuant to the provisions of this Section shall be responsible for the traffic that originates on its network up to the point of interconnection, and for the terminating traffic handed off at the point of interconnection to the call's destination.
- D. Should the companies negotiating interconnection arrangements not be able to agree upon the points of interconnection, written notice to that effect shall be made to the Commission Staff by the carrier responding to the interconnection request. The notice shall contain a detailed description of the request itself and why interconnection at the point requested is not feasible.

R14-2-1304. Reciprocal Compensation

- A. Local and EAS traffic shall be terminated by the LECs over the interconnection facilities described in R14-2-1303 on the basis of mutual traffic exchange, for a period of thirty-six months from the effective date of these rules.

- B. Notwithstanding the provisions of subsection A., compensation arrangements may be made by mutual agreement between companies.
- C. If incumbent local exchange carriers and new entrant local exchange carriers do not arrive at compensation arrangements for local call termination by mutual agreement, they shall each file tariffs proposing permanent compensation mechanisms for terminating local calls within twenty-four months of the effective date of these rules. However, those tariffs shall not contain usage-sensitive call termination charges.

R14-2-1305. Local and Toll Rating Centers

- A. The incumbent LEC's local calling areas and existing EAS boundaries will be utilized for the purpose of classifying traffic as local, EAS, or toll for purposes of intercompany compensation.
- B. All LECs will use central office codes with rate centers matching the incumbent LEC's rate centers.
- C. All LECs shall be assigned the necessary central office codes for rating purposes.
- D. Until a central office code administrator is designated by the Federal Communications Commission to replace U S WEST Communications, Inc., central office codes will be assigned to LECs, at no charge, in accordance with the industry's central office code assignment guidelines.
- E. No LEC may charge another LEC for changes to switch routing software necessitated by the creation, assignment, or reassignment of NPA or central office codes.

## R14-2-1306. Access to Databases and other Network Functions

- A. Incumbent LECs are required to provide non-discriminatory access to all necessary network functions, databases, and service components required to provide competitive local exchange services. These elements include, but are not limited to, directory assistance database listings, white page listings, yellow page listings, 800 LIDB and AIN databases, CMDS hosting, Busy Line Verification and Busy Line Interrupt operator services, distribution of telephone directories, inclusion of NELEC information in the Call Guide section of the directory, and E-911.
- B. Access to additional network functions, databases, and service components may be required from time to time by order of the Commission. This provision does not preclude the incumbent LEC and NELECs from negotiating voluntary arrangements for access to additional network functions, databases, or service components so long as the contracts for the voluntary arrangements are filed with the Commission and such access is made available to all other NELECs, upon request, under non-discriminatory terms and conditions, including price.
- C. Incumbent LECs shall provide access that is at least equal in type, quality, and price to that provided to themselves, to any affiliate, from any affiliate, or to another incumbent LEC.
- D. LECs shall make available the call setup signaling resources and information necessary for setting up local and interexchange connections, including the use of signaling protocols used in the querying of data bases such as 800 and LIDB. LECs shall be prohibited from

interfering with the transmission of signaling information between customers and network operators. LECs and NELECs shall have a duty to correct errors, support network management in a way that promotes network integrity, and prevent fraudulent use of a LEC's network.

- E. All LECs and NELECS shall cooperate in the development of a process to handle intercompany repair service referrals.

R14-2-1307. Unbundling

- A. Local exchange carriers with less than 200,000 access lines shall be exempt from the unbundling requirements in these rules. Such exemption shall expire upon the receipt of a bona fide request from a certificated local exchange carrier for an unbundled facility, or if a carrier voluntarily chooses to offer unbundled services.
- B. The local exchange carrier's network facilities or services which are determined to be essential shall be provided on terms and under conditions that are equivalent to the terms and conditions under which a local exchange carrier provides such essential facilities or services to itself in the provision of the local exchange carrier's services. The pricing of essential facilities or services shall be pursuant to Rule R14-2-1310 on pricing.
- C. The following local exchange carrier network capabilities are classified as essential facilities or services:
  - 1. Termination of local calls.
  - 2. Termination of long distance calls.
  - 3. Interconnection with E911 and 911 services.

- 4. Access to numbering resources.
  - 5. Dedicated channel network access connections.
  - 6. Unbundled loops.
- D. Incumbent local exchange carriers shall make essential facilities or services available for purchase and use pursuant to tariffs filed within 30 days of the effective date of these rules.
- E. The following guidelines apply when a certificated telecommunications company makes a bona fide request of a local exchange carrier to unbundle any network facility or service capability not identified in subsection C. The request shall specify whether the network facility or service is considered by the requesting company to be essential.
- 1. For the 12 months following the effective date of these rules, the incumbent local exchange carrier shall respond to any such request in writing within 120 days. Thereafter, the incumbent local exchange carrier shall respond to any such request in writing within 90 days.
  - 2. The response to an unbundling request shall clearly state whether the Incumbent LEC intends to provide the network facility or service on an unbundled basis and, if requested, whether it will be offered as an essential facility or service. If the Incumbent LEC does not intend to provide the requested network facility or service, the response shall state the basis for such refusal.

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- 3. If the incumbent local exchange carrier agrees to provide the network facility or service on an unbundled basis, an appropriate tariff shall be filed with the Commission within 150 days of the bona fide request.
- 4. If the incumbent local exchange carrier asserts that unbundling the network facility or service is not technically feasible, notice to that effect shall be made to the requesting party and to the Commission.

R14-2-1308. Number Portability

- A. All local exchange carriers shall make local number portability available to facilitate the ability of a customer to switch between authorized local exchange carriers within a given geographic area without changing their telephone number and without impairment of quality, functionality, reliability, or convenience of use. Implementation of local number portability or other forms of local number portability shall be based on a technically and economically feasible solution that meets the needs of Arizona consumers and carriers in a competitively neutral manner.
- B. An incumbent local exchange carrier serving less than 200,000 access lines will not be required to implement local number portability solutions absent the certification and commitment by a new entrant local exchange carrier to provide service on a facilities basis in the incumbent's service territory.
- C. Until such time as local number portability becomes available through database technology, local exchange carriers shall provide interim local number portability through the use of existing capabilities. A local exchange carrier shall file an interim number

- portability tariff within 30 days of the effective date of these rules, and shall in addition comply with such other or additional requirements as may be adopted by the Commission.
- D. All telecommunication providers who terminate traffic into an exchange(s) in which the local number portability database solution has been implemented shall utilize the database solution to ensure efficient and appropriate routing of traffic to Arizona customers.
- E. The Commission Staff shall present a permanent number portability recommendation to the Commission by January 31, 1997. In the event the Commission does not adopt rules for a permanent number portability mechanism by July 1, 1997, it shall consider implementing discount pricing for interim number portability in recognition of the fact that interim number portability provides service that is inferior to a permanent database solution. The discount would remain in effect until a permanent mechanism for number portability is adopted in rule.

R14-2-1309. Cost Methodology

TSLRIC is the cost standard to be employed by the incumbent local exchange carrier in conducting the cost studies that establish the underlying cost of local exchange carrier services including unbundled essential facilities and services.

R14-2-1310. Pricing

A. Pricing of Basic Communication Services.

1. The incumbent local exchange carrier shall provide the Commission with price floor calculations for local exchange and long distance services to ensure the avoidance of anti-competitive pricing practices.

- 2. Whenever the incumbent local exchange carrier introduces a new local exchange service or long distance service, or proposes to change the rate for an existing local exchange service or long distance service, the local exchange carrier shall provide to the Commission information that demonstrates that the proposed rate equals or exceeds a price floor calculation for that service using an imputation test described in section C of this rule.

B. Pricing of Interconnection Services by Local Exchange Providers.

- 1. Incumbent local exchange carriers shall establish the price of each essential facility or service, including access to databases and other network functions as described in Rule R14-2-1306. at a level equivalent to its TSLRIC costs.
- 2. Interim number portability shall be provided by the incumbent local exchange carrier at a price equal to TSLRIC. Any compensation which would otherwise have been received had a local or EAS call to a forwarded number been terminated directly to a customer's chosen carrier, should be passed through from the carrier from whose network the forwarded number is assigned, to the customer's chosen carrier to whose network the number is forwarded.

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## C. Imputation.

1. An incumbent local exchange carrier shall recover in the retail price of each telecommunications service offered by the company the TSLRIC of all non-essential, and the imputed prices of all essential, services, facilities, components, functions or capabilities that are utilized to provision such telecommunications service, whether such service is offered pursuant to tariff or private contract.
2. The imputation requirements of this section shall be applied in a manner that will permit a carrier providing a service to a customer that is or that becomes eligible for universal service support by order of the Commission to provide such retail service at a price that is net of any Commission-ordered universal service support funding, pursuant to the provisions of the Arizona Universal Service Fund rules.

## R14-2-1311. Waivers

The Commission may consider variations or exemptions from the terms or requirements of any of the rules included herein (14 A.A.C. 2, Article 13) upon application of an affected party. The application must set forth the reasons why the public interest will be served by the variation or exemption from the Commission rules and regulations. Any variation or exemption granted shall require an order of the Commission. Where a conflict exists between these rules and an approved tariff or order of the Commission, the provisions of the approved tariff or order of the Commission shall apply.

## R14-2-1311. Waivers

The Commission may consider variations or exemptions from the terms or requirements of any of the rules included herein (14 A.A.C. 2, Article 13) upon application of an affected party. The application must set forth the reasons why the public interest will be served by the variation or exemption from the Commission rules and regulations. Any variation or exemption granted shall require an order of the Commission. Where a conflict exists between these rules and an approved tariff or order of the Commission, the provisions of the approved tariff or order of the Commission shall apply.

**ECONOMIC IMPACT STATEMENT****A. Summary of economic, small business, and consumer impacts.****1. Identification of the proposed rulemaking.**

The proposed rules establish requirements for interconnection arrangements in compliance with applicable rules for competitive telecommunications services set forth in A.A.C. R14-2-1101 through R14-2-1115, and specifically in A.A.C. R14-2-1112. Interconnection arrangements provide access on an unbundled, nondiscriminatory basis to physical, administrative, and data-base network components between telecommunications companies, thereby allowing calls to be completed between end users who are customers of different telecommunications companies. The proposed rules also provide guidelines for interim number portability and establish a task force to aid Commission Staff in preparing a recommendation for permanent number portability.

**2. Brief summary of the economic impact statement.**

Rules for competitive telecommunications services require telecommunications companies to interconnect at reasonable prices and under reasonable terms and conditions that do not discriminate against or in favor of any provider, including the local exchange carrier. The proposed rules apply to the provision of local exchange services by and between local exchange carriers. The proposed rules will affect providers

and users of telecommunications services in Arizona.

Probable costs and benefits to the Commission include costs associated with new tasks, such as reviewing interconnection arrangement tariffs that would be filed by telecommunications companies pursuant to these rules. The Commission benefits by avoiding a litigated process to establish the interconnection requirements. Implementation of the proposed rules should not result in increased costs to political subdivisions. As an end user of telecommunications services, a political subdivision also may benefit as the result of competition in the provision of local telephone service.

Costs to incumbent providers of local exchange service include costs associated with submitting tariffs that set forth interconnection arrangements, the cost of constructing and maintaining a portion of interconnecting facilities, and the cost of preparing certain studies that are necessary to establish pricing.

Costs to new entrant local exchange service providers include costs associated with submitting tariffs that set forth interconnection arrangements and the cost of constructing and maintaining interconnecting facilities. Additional costs to new entrant local exchange service

providers are the cost of purchasing various unbundled network facilities or services that would enable the new entrant to offer competitive local exchange service.

New entrant providers benefit from being able to provide seamless service to end users. Incumbent local exchange providers benefit by being compensated for the use of its facilities by other telecommunications providers. To the extent that competition results in new, innovative service offerings and drives prices towards cost, consumer demand for the telecommunications services of both incumbent and new entrant providers would increase.

The proposed rules are deemed the least costly method to deal with interconnection in the telecommunications industry. Because adequate data are not available, the probable impacts are explained in qualitative terms.

3. The name and address of agency employees to contact regarding this statement.

David Jankofsky or Paul Bullis at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007.

**B. Economic, small business and consumer impact statement.**

**1. Identification of the proposed rulemaking.**

The proposed rules establish requirements for interconnection arrangements in compliance with applicable rules for competitive telecommunications services set forth in A.A.C. R14-2-1101 through R14-2-1115, and specifically in A.A.C. R14-2-1112. Interconnection arrangements provide access on an unbundled, nondiscriminatory basis to physical, administrative, and data-base network components between telecommunications companies, thereby allowing calls to be completed between end users who are customers of different telecommunications companies. The proposed rules also provide guidelines for interim number portability and establish a task force to aid Commission Staff in preparing a recommendation for permanent number portability.

**2. Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking.**

- a. The public at large who are users of telecommunications services throughout the State of Arizona.
- b. Incumbent local exchange carriers.
- c. New entrant local exchange carriers.

**3. Cost-benefit analysis.**

- a. Probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rulemaking.

Costs of the proposed rulemaking include costs related to new tasks at the Commission. For example, the Commission will need to review tariffs for interconnection arrangements, contracts for voluntary arrangements, and information contained in cost studies. The Commission will also devote personnel to study a permanent mechanism for number portability.

The Commission will benefit from the parameters established in the rules in that they will provide the framework within which to analyze the tariffs that will be filed once the rules are in place. This will allow for more streamlined tariff processing than would otherwise occur. Achieving interconnection and unbundling arrangements in a rulemaking proceeding is also less arduous and less costly than a litigated approach. Finally, the Commission will benefit by utilizing resources more efficiently in other areas that need a greater amount of regulatory supervision.

**b. Probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rulemaking.**

Implementation of the proposed rules should not result in increased costs to political subdivisions of this state. However, to the extent that these proposed rules help to stimulate competition, price will be driven to cost and new,

innovative service offerings may result. Political subdivisions, as consumers of local exchange services, will benefit from these changes.

**c. Probable costs and benefits to businesses directly affected by the proposed rulemaking, including any anticipated effect on the revenues or payroll expenditure of employers who are subject to the proposed rulemaking.**

Costs to incumbent providers of local exchange service would include costs of filing tariffs setting forth interconnection arrangements, the cost of constructing and maintaining interconnecting facilities, and providing cost studies to establish the appropriate pricing of interconnection services. Incumbent local exchange carriers will benefit by receiving compensation for use of their network and services. The utilization of portions of the incumbents' network will also result in a fuller utilization of network capacity. Finally, to the extent that competition stimulates the use of local telecommunications services, incumbent local exchange carriers will benefit to the extent that they are able to capture a portion of an expanding market.

Costs to new entrant local exchange carriers include those associated with submitting tariffs that set forth interconnection arrangements and the cost of constructing and maintaining interconnecting facilities.

New entrant providers would benefit because they would be able to select the most economic way to enter the local exchange market, by constructing facilities, by purchasing facilities and services from incumbent carriers, or through a combination of both approaches. They also would benefit to the extent that competition stimulates demand for telecommunications services, which would allow them the opportunity to add customers.

The direct impact on revenues and payroll on both incumbents and new entrants resulting from these rules is minimal. Indirectly, to the extent that competition is enhanced and demand for services stimulated, the opportunity exists for both incumbents and new entrants to add net revenues.

**4. Probable impacts on private and public employment in business, agencies, and political subdivisions of this state directly affected by the proposed rulemaking.**

Employment could be enhanced as telecommunications service providers benefit from competitive advantages that they may gain through innovation. The impact on employment in state agencies and political subdivisions will be minimal.

**5. Probable impact of the proposed rulemaking on small business.**

**a. Identification of the small businesses subject to the proposed rulemaking.**

Businesses subject to the proposed rulemaking are incumbent and new entrant local telephone service providers.

**b. Administrative and other costs required for compliance with the proposed rulemaking.**

Administrative costs to providers of local exchange service would include costs associated with filing tariffs for interconnection arrangements, the cost of constructing and maintaining interconnecting facilities, and in certain cases cost studies to establish the appropriate pricing for certain services.

**c. A description of the methods that the agency may use to reduce the impact on small businesses.**

These proposed rules were designed to minimize the impact on small incumbent local exchange carriers by exempting those with less than 200,000 access lines from certain requirements under certain conditions.

Additionally, an incumbent local exchange carrier serving less than 200,000 access lines will not be required to implement local number portability solutions absent the certification and commitment by a

new entrant local exchange carrier to provide service on a facilities basis in the incumbent's service territory.

An alternative to adoption of these rules would be to allow local exchange carriers and new entrant local exchange carriers to negotiate for interconnection arrangements without the parameters established within the proposed rules. However, the outcome of this alternative may be undesirable because such agreements might allow a large incumbent carrier to use its market power to thwart the interconnection arrangements that are necessary for a competitive environment to grow.

d. Probable cost and benefit to private persons and consumers who are directly affected by the proposed rulemaking.

Private persons who are customers of telecommunications service providers affected by this rule will benefit by being able to choose a local exchange company.

Competition in this business will also drive prices towards cost and stimulate innovative services that would be available to customers

6. A statement of the probable effect on state revenues.

The proposed rulemaking will not directly impact state

revenues.

7. A description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking.

Other alternatives are possible such as not establishing interconnection requirements or creating more complex requirements. However, these proposed rules are deemed to be the most reasonable alternative

C. If for any reason adequate data are not reasonably available to comply with the requirements of subsection B of this section, the agency shall explain the limitations of the data and the methods that were employed in the attempt to obtain the data and shall characterize the probable impacts in qualitative terms.

Adequate data are not available to comply with the requirements of subsection B. Therefore, the probable impacts are explained in qualitative terms.