EAS with monopoly rents from other services. LECs competing in the same geographic area cannot generate monopoly rents that can cross-subsidize disparities in cost and traffic flow. Therefore, bill and keep should not be a mandatory compensation arrangement between competing LECs. Nor should the fact that there is grandfathered EAS provide any support to claims by new entrants that they should have the same bill and keep compensation arrangements for local access services. State commissions have grandfathered EAS based on a policy not to disrupt existing customer expectations.

If the Commission nevertheless was to proceed with a bill and keep arrangement, the states will still first have to re-balance incumbent LEC local rates. Generally, local rates are below TSLRIC. This is a result of basic local service rates being residually priced by state commissions after the revenue effect of FCC mandated cost rules, which are designed to allocate more costs to access service, are subtracted from the LEC's total revenue requirement.

Therefore, if this Commission decides to proceed with a bill and keep arrangement between new competitors and incumbent LECs, local service rates will first have to be brought in line with the cost of service including the costs associated with any interconnection arrangement.

D. **Duties Imposed On "Telecommunications Carriers" By Section 251(a).**

No comment.

E. **Number Administration.**

No comment.

F. **Exemptions, Suspensions, And Modifications.**

In **paragraph 261**, the Commission requests comment regarding whether it can and should establish some standards that would assist the states in satisfying their obligations especially regarding determining what would constitute a BFR. The Commission tentatively concludes that the states alone have the authority to make determinations under Section 251(f). MECA agrees.

G. **Continued Enforcement Of Exchange Access And Interconnection Regulations.**

No comment.

H. **Advanced Telecommunications Capabilities.**

No comment.

III. PROVISIONS OF SECTION 252.

A. Arbitration Process.

Issues regarding the arbitration process should be left to the states and any residual issues should be addressed in the complaint process.

B. Section 252(i).

With regard to **paragraph 270**, obviously the terms of a state approved agreement need be offered only to similarly situated carriers. Determinations of who is similarly situated should be left to a case-by-case basis and the complaint process. There is no need to restrict the ability of LECs to provide volume and term discounts.

With regard to **paragraph 271**, agreements between LECs cannot be subdivided. It certainly cannot be the intent of the law to allow a competitive provider demand selected provisions from an existing agreement that it prefers and then to force the incumbent LEC to negotiate regarding all remaining provisions. A carrier similarly situated as another carrier can use the same agreement in its entirety or can negotiate its own agreement.

CONCLUSION

This Commission should interpret the new interconnection provisions very restrictively so that most traditional intrastate issues and most issues regarding intrastate services and local providers are deferred to the states. The recent direction of Congress has been to devolve federal administration to the purview of state governments. This Commission should consider this trend and Congress' purposeful retention of sections 2(a), 2(b) and 221(a), 47 USC 152(a), 152(b), and 221(a) limiting federal authority when choosing how expansive its rules should be.

The Congressional mandate in rulemaking is to implement the interconnection provisions of the Act--not to interpret and expand the law or to lay out a more detailed scheme of regulation. This proceeding is not an appropriate proceeding to lay out a detailed national scheme, especially since the parties have only a limited chance to comment on numerous complex issues set forth in a 100 page NPRM. In contrast, the states have committed large blocks of time and effort toward developing regulatory schemes and actually implementing competition. For example, Michigan has held numerous contested case proceedings with days of hearings and several opportunities to file briefs. It has also engaged a task force to

look at some issues. Likewise, the State Legislature has held hearings and engaged in debate to pass two laws--one in 1991 and one in 1995. As a result, Michigan has one of the most open and progressive telecommunications markets in the United States, with numerous competitive providers. It would be unwise for this Commission to undo the work that created this result. This Commission should therefore limit the number of national rules and defer to valid alternative state regulations. When establishing any rules, this Commission should recognize the differences between large and small LECS and accommodate the special needs of small rural LECs, such as MECA's 34 members in Michigan.

Respectfully submitted,

FOSTER, SWIFT, COLLINS & SMITH, P.C.
Attorneys for Michigan Exchange Carriers Association, Inc.

By: Glen A. Schmiege

Glen A. Schmiege (P37112)
Mark J. Burzych (P43793)
313 South Washington Square
Lansing, MI 48933
(517) 371-8100

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