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Mary L. Brown
Director
Corporate Rates &
Federal Regulatory Analysis

EX PARTE OR LATE FILED

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JUN 24 1996

Federal Communications Commission
Office of Secretary

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ORIGINAL

June 24, 1996

William Caton
Acting Secretary
Federal Communications Commission
1919 M St. NW
Washington, D.C. 20554

Re: EX PARTE in Implementation of the Local Competition Provisions in the
Telecommunications Act of 1996, CC Docket No. 96-98

Dear Mr. Caton:

Enclosed is a letter and attachment responding to a question asked by Richard Metzger, Deputy
Chief, Common Carrier Bureau, to MCI in reference to the above-captioned docket.

Please acknowledge receipt by affixing an appropriate notation on the copy of the letter furnished
for such purpose.

Sincerely yours,

Mary L. Brown
Mary L. Brown

Enclosure

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Richard Metzger
Deputy Chief
Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

**Re: EX PARTE in Implementation of the Local Competition Provisions in the
Telecommunications Act of 1996, CC Docket No. 96-98.**

Dear Mr. Metzger:

Pursuant to your request, attached are individual charts comparing the forward-looking economic costs of unbundled elements and network functions to recent interconnection agreements and state commission orders in several Regional Bell Operating Company regions. The charts also include information about compensation for terminating local traffic, again, either by interconnection agreement or state commission order.

In preparing this information, we have evaluated a number of agreements, including: Ameritech/MFS, Bell Atlantic/Jones Intercable, BellSouth/Hart, BellSouth/Time Warner, BellSouth/MCI, and Pacific Telesis/MFS. There are additional agreements that have not been included in our analysis, and we are continuing to collect data on those agreements. Cost information is derived from the state-by-state analysis of local exchange carrier costs modeled in the Hatfield Associates, Inc. cost study appended to AT&T's Reply Comments in CC Docket No. 96-98. MCI co-sponsored that study. Also included is the cost information for percent discount resale rates compiled by the Frentrup study filed in MCI's Initial Comments in Docket No. CC 96-98.

Based upon our comparison of the cost data provided by Hatfield to the interconnection agreements we reviewed to date, the prices announced in the interconnection agreements confirm that the Hatfield cost data are indeed conservative estimates of forward-looking economic cost. For example, in Illinois, Hatfield estimates that the cost of tandem switching is \$0.0037 per minute of use compared to the Ameritech/MFS agreement rate of \$0.0020 per minute of use. Also, in Illinois, Hatfield reports that the cost of unbundled loops in the most dense population areas as \$8.45. The MFS/Ameritech unbundled loop rate comparable to the Hatfield rate is \$6.49 for Access Area A (Chicago). These



Richard Metzger

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examples demonstrate that the Hatfield study, by recognizing reasonable profit and overhead costs, provides results that fit comfortably within statutory requirements, conservatively predicts economic costs, and yields rates that new entrants will be able to purchase in provisioning local service.

If you desire, MCI is prepared to give you a detailed analysis of our results.

Sincerely,


Mary L. Brown

Enclosure

AMERITECH

ILLINOIS

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | |
|--|--|--|------------------------------|
| UNBUNDLED ELEMENT/FUNCTION | MCI POSITION | TARIFF/ORDER | MFS AGREEMENT |
| Loop | >2550 * | \$8.45 | Bus Access Area A \$6.49 |
| | 850-2550 | \$10.08 | Access Area A \$7.49 |
| | 650-850 | \$10.88 | Access Area B ----- |
| | 200-650 | \$12.14 | Access Area C \$14.86 |
| | 5-200 | \$18.57 | Res Access Area C \$13.60 |
| | 0-5 | \$42.40 | Access Area A \$4.80 |
| | *Households per sq. mi. | Access Area B ----- | |
| | | Access Area C \$12.35 | |
| Tandem/Transit Switching | \$0.0037 | N/A | \$0.002 |
| Percentage Resale Discount | 34.14% | Bus - Access Area A 8.49% | Bus Access Area A 17% |
| | | Res - Access Area A 7.1% | Access Area B 12% |
| | | | Access Area C 10% |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | \$0.0050 End Office \$0.0075 Tandem | \$0.009 per MOU |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

(3) Tariffed rates in Illinois are subject to current investigation.

(4) MFS percent resale discount rates based on volume and term commitments of 50,000 access lines per month for 5 years.
N/A for Res.

AMERITECH

MICHIGAN

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | |
|--|---|---|---|
| UNBUNDLED ELEMENT/FUNCTION | MCI POSITION | TARIFFED/ORDERED | MFS AGREEMENT |
| Loop | >2550 * \$9.94 850-2550 \$10.79 650-850 \$12.00 200-650 \$12.91 5-200 \$19.17 0-5 \$44.53 *Households per sq. mi. | \$8.00 Bus \$11.00 Res | (Pre 1/1/97) Bus \$8.00 (Post 1/1/97) Access Area A ----- Access Area B ----- Access Area C ----- |
| Tandem/Transit Switching | \$0.0023 | N/A | \$0.002 Per MOU |
| Percentage Resale Discount | 34.14% | 3.79% Bus 4.2% - 4.3% Res | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | Mutual Traffic Exchange If traffic is +/- 5% out of balance then terminating compensation for local traffic is \$0.015. | (Post 1/1/97) \$0.009 per MOU (Pre 1/1/97) If traffic is +/- 5% out of balance then terminating compensation for local traffic is \$0.015 . |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

(3) Interim tariffed resale rates in Michigan are subject to potential investigation.

AMERITECH

OHIO

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | |
|--|--|--------------|--------------------------|
| UNBUNDLED ELEMENT/FUNCTION | MCI POSITION | TARIFF/ORDER | MFS AGREEMENT |
| Loop | >2550 * | \$11.34 | Access Area A \$9.10 |
| | 850-2550 | \$13.12 | |
| | 650-850 | \$14.09 | Access Area B \$14.10 |
| | 200-650 | \$16.03 | |
| | 5-200 | \$21.65 | |
| | 0-5 | \$47.99 | Access Area C \$16.10 |
| | *Households per sq. mi. | | |
| Tandem/Transit Switching | \$0.0014 | N/A | \$0.002 |
| Percentage Resale Discount | 34.14% | N/A | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | N/A | \$0.009 per MOU |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

AMERITECH

WISCONSIN

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | |
|--|--|--------------|--------------------------|
| UNBUNDLED ELEMENT/FUNCTION | MCI POSITION | TARIFF/ORDER | MFS AGREEMENT |
| Loop | >2550 * | \$9.09 | Access Area A \$15.10 |
| | 850-2550 | \$10.38 | |
| | 650-850 | \$11.37 | Access Area B \$16.10 |
| | 200-650 | \$12.78 | |
| | 5-200 | \$18.09 | |
| | 0-5 | \$44.93 | Access Area C \$17.10 |
| | *Households per sq. mi. | | |
| Tandem/Transit Switching | \$0.0017 | N/A | \$0.002 |
| Percentage Resale Discount | 34.14% | N/A | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | N/A | \$0.009 per MOU |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

BELL ATLANTIC

MARYLAND

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | |
|--|---|--------------------|---|
| UNBUNDLED ELEMENT/FUNCTION | MCI POSITION | TARIFF/ORDER | AGREEMENT |
| Loop | >2550 * | \$8.88 | Bus Rate Group A - \$12.15 Rate Group B - \$14.74 No Res Tariffs |
| | 850-2550 | \$10.39 | |
| | 650-850 | \$11.61 | |
| | 200-650 | \$13.16 | |
| | 5-200 | \$18.82 | |
| | 0-5 | \$45.42 | |
| | *Households per sq. mi. | | |
| Tandem/Transit Switching | \$0.0016 | N/A | N/A |
| Percentage Resale Discount | 27.59% | N/A | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange | \$0.005 Tandem | N/A |
| | (Rate at TSLRIC if traffic significantly and persistently out of balance) | \$0.003 End Office | |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

BELL ATLANTIC

VIRGINIA

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | |
|--|---|--------------|---|
| UNBUNDLED ELEMENT/FUNCTION | MCI POSITION | TARIFF/ORDER | JONES INTERCABLE AGREEMENT |
| Loop | >2550 * \$9.30 850-2550 \$10.64 650-850 \$11.33 200-650 \$12.38 5-200 \$19.17 0-5 \$43.21 *Households per sq. mi. | N/A | \$13.88 - \$18.30 |
| Tandem/Transit Switching | \$0.0020 | N/A | N/A |
| Percentage Resale Discount | 27.59% | N/A | 6% Res 9% Bus |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | N/A | \$0.007 End Office \$0.009 Tandem or Serving Wire Center |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

BELLSOUTH

ALABAMA

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | | | |
|--|--|--------------|---|--|-----------------------|
| UNBUNDLED ELEMENT/ FUNCTION | MCI POSITION | TARIFF/ORDER | MCI AGREEMENT | HART AGREEMENT | TIME WARNER AGREEMENT |
| Loop | >2550 * \$8.55 850-2550 \$9.96 650-850 \$10.49 200-650 \$12.68 5-200 \$19.44 0-5 \$42.00 *Households per sq. mi. | N/A | N/A | \$25.00 | N/A |
| Tandem/Transit Switching | \$0.0014 | N/A | N/A | Range from \$0.02 per minute to \$0.10 per minute depending on state and mileage band. | N/A |
| Percentage Resale Discount | 27.54% | N/A | N/A | 8% - 12% Depending on state and class of service. | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | N/A | Neither party will compensate the other for more than 105% of the total minutes of the party w/lower total MOU on a per state basis Compensation for local transit traffic is \$0.002 (except FL - \$0.005). | \$0.010 per MOU | \$0.010 per MOU |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

(3) The MCI agreement covers five states: AL, GA, NC, TN, and FL. The Time Warner agreement covers all BellSouth states.

BELLSOUTH

FLORIDA

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | | | |
|--|---|-------------------------|---|--|-----------------------|
| UNBUNDLED ELEMENT/FUNCTION | MCI POSITION | TARIFF/ORDER | MCI AGREEMENT | HART AGREEMENT | TIME WARNER AGREEMENT |
| Loop | >2550 * \$8.88 850-2550 \$10.51 650-850 \$11.57 200-650 \$13.15 5-200 \$18.28 0-5 \$50.71 *Households per sq. mi. | \$17.00 (interim) | N/A | \$21.15 | N/A |
| Tandem/Transit Switching | \$0.0012 | N/A | N/A | Range from \$0.02 per minute to \$0.10 per minute depending on state and mileage band. | N/A |
| Percentage Resale Discount | 27.54% | N/A | N/A | 8% - 12% Depending on state and class of service. | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | Mutual Traffic Exchange | Neither party will comp. The other for more than 105% of the total min. Of the party w/lower total mou on a per state basis Compensation for local transit traffic is \$0.005. | \$0.010 per MOU | \$0.010 per MOU |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

(3) The MCI agreement covers five states: AL, GA, NC, TN and FL. The Time Warner agreement covers all BellSouth states. The Hart agreement covers all BellSouth states (loop rates of \$25.00 in all states except FL - \$21.15, and LA - \$18.50).

BELLSOUTH

GEORGIA

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | | | |
|--|---|---------------------|--|--|----------------------------------|
| UNBUNDLED ELEMENT/ FUNCTION | MCI POSITION | TARIFF/ORDER | MCI AGREEMENT | HART AGREEMENT | TIME WARNER AGREEMENT |
| Loop | >2550 * \$7.90 850-2550 \$8.72 650-850 \$9.75 200-650 \$11.26 5-200 \$16.69 0-5 \$34.73 *Households per sq mi. | N/A | N/A | \$25.00 | N/A |
| Tandem/Transit Switching | \$0.0014 | N/A | N/A | Range from \$0.02 per minute to \$0.10 per minute depending on state and mileage band. | N/A |
| Percentage Resale Discount | 27.54% | 17% Res 20% Bus | N/A | 8% - 12% Depending on state and class of service. | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | N/A | Neither party will compensate the other for more than 105% of the total minutes of the party w/lower total MOU on a per state basis Compensation for local transit traffic is \$0.002 (except FL - \$0.005). | \$0.010 per MOU | \$0.010 per MOU |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

(3) The MCI agreement covers five states: AL, GA, NC, TN, and FL. The Time Warner agreement covers all BellSouth states. The Hart agreement covers all BellSouth states (loop rates of \$25.00 in all states except FL - \$21.15, and LA - \$18.50).

BELLSOUTH

LOUISIANA

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | | | |
|--|---|--------------|---------------|--|-----------------------|
| UNBUNDLED ELEMENT/ FUNCTION | MCI POSITION | TARIFF/ORDER | MCI AGREEMENT | HART AGREEMENT | TIME WARNER AGREEMENT |
| Loop | >2550 * \$8.87 850-2550 \$10.41 650-850 \$11.72 200-650 \$13.43 5-200 \$20.30 0-5 \$42.23 *Households per sq. mi. | N/A | N/A | \$18.50 | N/A |
| Tandem/Transit Switching | \$0.0023 | N/A | N/A | Range from \$0.02 per minute to \$0.10 per minute depending on state and mileage band. | N/A |
| Percentage Resale Discount | 27.54% | N/A | N/A | 8% - 12% Depending on state and class of service. | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | N/A | N/A | \$0.010 per MOU | \$0.010 per MOU |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

(3) The MCI agreement covers five states: AL, GA, NC, TN and FL. The Time Warner agreement covers all BellSouth states. The Hart agreement covers all BellSouth states (loop rates of \$25.00 in all states except FL - \$21.15, and LA - \$18.50).

PACTEL

CALIFORNIA

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | |
|--|--|---|---|
| UNBUNDLED ELEMENT/FUNCTION | MCI POSITION | TARIFF/ORDER | MFS AGREEMENT |
| Loop | >2550 * \$6.93 | N/A | Zone 1 - \$12.50 Bus \$13.90 Res Zone 2 - \$14.50 Bus \$17.00 Res Zone 3 - \$19.50 Bus \$21.40 Res ISDN - Bus Zone 1 - \$18.75 Zone 2 - \$21.75 Zone 3 - \$29.25 |
| | 850-2550 \$8.11 | | |
| | 650-850 \$8.94 | | |
| | 200-650 \$10.45 | | |
| | 5-200 \$17.65 | | |
| | 0-5 \$58.53 | | |
| *Households per sq. mi. | | | |
| Tandem/Transit Switching | \$0.0008 | N/A | N/A |
| Percentage Resale Discount | 33.60% | 10% Res 17% Bus (Tariffed rates not by commission order) | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | Mutual Traffic Exchange (Interim - One Year) | \$0.0075 Per MOU |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

US West - Colorado
June 24, 1996

US WEST COLORADO

| RATES FOR UNBUNDLED NETWORK ELEMENTS PERCENT RESALE DISCOUNT/COMPENSATION FOR TERMINATING LOCAL TRAFFIC | | | |
|--|--|---------------------|--|
| UNBUNDLED ELEMENT/FUNCTION | MCI POSITION | TARIFF/ORDER | AGREEMENT |
| Loop | >2550 * | \$7.06 | \$18.00 for service provided through a DSO. |
| | 850-2550 | \$8.24 | |
| | 650-850 | \$8.64 | \$16.60 for service provided through a DS1. |
| | 200-650 | \$9.85 | |
| | 5-200 | \$16.82 | |
| | 0-5 | \$64.90 | |
| *Households per sq. mi. | | | |
| Tandem/Transit Switching | \$0.0013 | \$0.019484 | N/A |
| Percentage Resale Discount | 25.41% | 16% Bus 9% Res | N/A |
| Compensation for Terminating Local Traffic | Mutual Traffic Exchange (Rate at TSLRIC if traffic significantly and persistently out of balance) | \$0.005 | N/A |

Notes: (1) MCI rates for loop, transit, switching and terminating local traffic from Hatfield Associates, Inc. (HAI) study, appended to AT&T's Reply Comments filed in CC Docket 96-98.

(2) Percent resale discount from Frentrup study appended to MCI's Initial Comments filed in CC Docket No. 96-98.

(3) Staff recommended interim rates. Commission order adopting Staff's recommendation expected July 1, 1996. Full proceeding expected Fall, 1996.