Receiving Party, or is explicitly agreed in writing not to be regarded as confidential, it (a) shall be held in confidence by each Receiving Party; (b) shall be disclosed to only those Representatives who have a need for it in connection with the provision of services required to fulfill this Agreement and shall be used only for such purposes; and (c) may be used for other purposes only upon such terms and conditions as may be mutually agreed to in advance of use in writing by the Parties. Notwithstanding the foregoing sentence, a Receiving Party shall be entitled to disclose or provide Proprietary Information as required by any governmental authority or applicable law only in accordance with Section 29.5.2.

29.5.2 If any Receiving Party is required by any governmental authority or by applicable law to disclose any Proprietary Information, then such Receiving Party shall provide the Disclosing Party with written notice of such requirement as soon as possible and prior to such disclosure. The Disclosing Party may then either seek appropriate protective relief from all or part of such requirement or, if it fails to successfully do so, it shall be deemed to have waived the Receiving Party's compliance with this Section 29.5 with respect to all or part of such requirement. The Receiving Party shall use all commercially reasonable efforts to cooperate with the Disclosing Party in attempting to obtain any protective relief which such Disclosing Party chooses to obtain.

29.5.3 In the event of the expiration or termination of this Agreement for any reason whatsoever, each Party shall return to the other Party or destroy all Proprietary Information and other documents, work papers and other material (including all copies thereof) obtained from the other Party in connection with this Agreement and shall use all reasonable efforts, including instructing its employees and others who have had access to such information, to keep confidential and not to use any such information, unless such information is now, or is hereafter disclosed, through no act, omission or fault of such Party, in any manner making it available to the general public.

29.6 Governing Law. For all claims under this Agreement that are based upon issues within the jurisdiction (primary or otherwise) of the FCC, the exclusive jurisdiction and remedy for all such claims shall be as provided for by the FCC and the Act. For all claims under this Agreement that are based upon issues within the jurisdiction (primary or otherwise) of the Commission, the exclusive jurisdiction for all such claims shall be with such Commission, and the exclusive remedy for such claims shall be as provided for by such Commission. In all other respects, this Agreement shall be governed by the domestic laws of the State of Michigan without reference to conflict of law provisions.

29.7 Taxes. Each Party purchasing services hereunder shall pay or otherwise be responsible for all federal, state, or local sales, use, excise, gross receipts, transaction or similar taxes, fees or surcharges levied against or upon such purchasing Party (or the providing Party when such providing Party is permitted to pass along to the purchasing Party such taxes, fees or surcharges), except for any tax on either Party's corporate existence, status or income. Whenever possible, these amounts shall be billed as a separate item on the invoice. To the extent a sale is claimed to be for resale tax exemption, the purchasing Party shall furnish the

providing Party a proper resale tax exemption certificate as authorized or required by statute or regulation by the jurisdiction providing said resale tax exemption. Failure to timely provide said resale tax exemption certificate will result in no exemption being available to the purchasing Party.

29.8 Non-Assignment. Neither Party may assign or transfer (whether by operation of law or otherwise) this Agreement (or any rights or obligations hereunder) to a third party without the prior written consent of the other Party; provided that each Party may assign this Agreement to a corporate Affiliate or an entity under its common control or an entity acquiring all or substantially all of its assets or equity by providing prior written notice to the other Party of such assignment or transfer. Any attempted assignment or transfer that is not permitted is void ab initio. Without limiting the generality of the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the Parties' respective successors and assigns.

29.9 Non-Waiver. Failure of either Party to insist on performance of any term or condition of this Agreement or to exercise any right or privilege hereunder shall not be construed as a continuing or future waiver of such term, condition, right or privilege.

29.10 Disputed Amounts

29.10.1 If any portion of an amount due to a Party (the "Billing Party") under this Agreement is subject to a bona fide dispute between the Parties, the Party billed (the "Non-Paying Party") shall within sixty (60) days of its receipt of the invoice containing such disputed amount give notice to the Billing Party of the amounts it disputes ("Disputed Amounts") and include in such notice the specific details and reasons for disputing each item. The Non-Paying Party shall pay when due (i) all undisputed amounts to the Billing Party and (ii) all Disputed Amounts into an interest bearing escrow account with a third party escrow agent mutually agreed upon by the Parties.

29.10.2 If the Parties are unable to resolve the issues related to the Disputed Amounts in the normal course of business within sixty (60) days after delivery to the Billing Party of notice of the Disputed Amounts, each of the Parties shall appoint a designated representative who has authority to settle the dispute and who is at a higher level of management than the persons with direct responsibility for administration of this Agreement. The designated representatives shall meet as often as they reasonably deem necessary in order to discuss the dispute and negotiate in good faith in an effort to resolve such dispute. The specific format for such discussions will be left to the discretion of the designated representatives, however all reasonable requests for relevant information made by one Party to the other Party shall be honored.

29.10.3 If the Parties are unable to resolve issues related to the Disputed Amounts within forty-five (45) days after the Parties' appointment of designated representatives pursuant to Section 29.10.2, then either Party may file a complaint with the Commission to resolve such issues or proceed with any other remedy pursuant to law or equity. The Commission or the FCC may direct release of any or all funds (including any accrued interest) in the escrow account, plus applicable late fees, to be paid to either Party.

29.10.4 The Parties agree that all negotiations pursuant to this Section 29.10 shall remain confidential and shall be treated as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence.

29.10.5 Any undisputed amounts not paid when due shall accrue interest from the date such amounts were due at the lesser of (i) one and one-half percent (1-1/2%) per month or (ii) the highest rate of interest that may be charged under applicable law.

29.11 Notices. Notices given by one Party to the other Party under this Agreement shall be in writing and shall be (a) delivered personally, (b) delivered by express delivery service, (c) mailed, certified mail or first class U.S. mail postage prepaid, return receipt requested or (d) delivered by telecopy to the following addresses of the Parties:

To TCG:

TCG
1 Teleport Drive
Staten Island, New York 10311
Attn: _____
Facsimile: _____

To Ameritech:

Ameritech Information Industry Services
350 North Orleans, Floor 3
Chicago, IL 60654
Attn.: Vice President - Network Providers
Facsimile: (312) 335-2927

with a copy to:

Ameritech Information Industry Services
350 North Orleans, Floor 3
Chicago, IL 60654
Attn.: Vice President and General Counsel
Facsimile: (312) 595-1504

or to such other address as either Party shall designate by proper notice. Notices will be deemed given as of the earlier of (i) the date of actual receipt, (ii) the next business day when notice is sent via express mail or personal delivery, (iii) three (3) days after mailing in the case of first class or certified U.S. mail or (iv) on the date set forth on the confirmation in the case of telecopy.

29.12 Publicity and Use of Trademarks or Service Marks. Neither Party nor its subcontractors or agents shall use the other Party's trademarks, service marks, logos or other proprietary trade dress in any advertising, press releases, publicity matters or other promotional materials without such Party's prior written consent.

29.13 Section 252(i) Obligations.

29.13.1 If either Party enters into an agreement (the "Other Agreement") approved by the Commission pursuant to Section 252 of the Act which provides for the provision of arrangements covered in this Agreement within the State of Michigan to another requesting Telecommunications Carrier, including itself or its Affiliate, such Party shall make available to the other Party such arrangements upon the same rates, terms and conditions as those provided in the Other Agreement. At its sole option, the other Party may avail itself of either (i) the Other Agreement in its entirety or (ii) the prices, terms and conditions of the Other Agreement that directly relate to any of the following duties as a whole:

(1) Interconnection - Section 251(c)(2) of the Act (Section 4.0 and 5.0 of this Agreement); or

(2) Exchange Access - Section 251(c)(2) of the Act (Section 6.0 of this Agreement); or

(3) Unbundled Access - Section 251(c)(3) of the Act (Section 9.0 of this Agreement); or

(4) Resale - Section 251(c)(4) of the Act (Section 10.0 of this Agreement); or

(5) Collocation - Section 251(c)(6) of the Act (Section 12.0 of this Agreement); or

(6) Number Portability - Section 251(b)(2) of the Act (Section 13.0 of this Agreement); or

(7) Directory Listings - Section 251(b)(3) of the Act (Section 15.0 of this Agreement); or

(8) Access to Rights of Way - Section 251(b)(4) of the Act (Section 16.0 of this Agreement).

29.13.2 Ameritech shall make available without unreasonable delay to TCG any individual interconnection, service, or network element arrangement contained in any agreement to which it is a party that is approved by a state commission pursuant to section 252 of the Act, upon the same rates, terms, and conditions as those provided in the agreement. Ameritech may not limit the availability of any individual interconnection, service, or network element only to those requesting carriers serving a comparable class of subscribers or providing the same service (*i.e.*, local, access, or interexchange) as the original party to the agreement.

29.13.3 The obligations of Section 29.13.2 shall not apply where Ameritech proves to the state commission that:

(1) the costs of providing a particular interconnection, service, or element to TCG are greater than the costs of providing it to the telecommunications carrier that originally negotiated the agreement, or

(2) the provision of a particular interconnection, service, or element to TCG is not technically feasible.

29.14 Joint Work Product. This Agreement is the joint work product of the Parties and has been negotiated by the Parties and their respective counsel and shall be fairly interpreted in accordance with its terms and, in the event of any ambiguities, no inferences shall be drawn against either Party.

29.15 No Third Party Beneficiaries; Disclaimer of Agency. This Agreement is for the sole benefit of the Parties and their permitted assigns, and nothing herein express or implied shall create or be construed to create any third-party beneficiary rights hereunder. Except for provisions herein expressly authorizing a Party to act for another, nothing in this Agreement shall constitute a Party as a legal representative or agent of the other Party, nor shall a Party have the right or authority to assume, create or incur any liability or any obligation of any kind, express or implied, against or in the name or on behalf of the other Party unless otherwise expressly permitted by such other Party. Except as otherwise expressly provided in this Agreement, no Party undertakes to perform any obligation of the other Party, whether regulatory or contractual, or to assume any responsibility for the management of the other Party's business.

29.16 No License. No license under patents, copyrights or any other intellectual property right (other than the limited license to use consistent with the terms, conditions and restrictions of this Agreement) is granted by either Party or shall be implied or arise by estoppel with respect to any transactions contemplated under this Agreement.

29.17 Technology Upgrades. Nothing in this Agreement shall limit Ameritech's ability to upgrade its network through the incorporation of new equipment, new software or otherwise. Ameritech shall provide TCG written notice at least ninety (90) days prior to the incorporation of any such upgrades in Ameritech's network which will materially impact TCG's service. TCG shall be solely responsible for the cost and effort of accommodating such changes in its own network.

29.18 Dispute Escalation and Resolution. Except as otherwise provided herein, any dispute, controversy or claim (individually and collectively, a "Dispute") arising under this Agreement shall be resolved in accordance with the procedures set forth in this Section 28.18. In the event of a Dispute between the Parties relating to this Agreement and upon the written request of either Party, each of the Parties shall appoint a designated representative who has authority to settle the Dispute and who is at a higher level of management than the persons with direct responsibility for administration of this Agreement. The designated representatives shall meet as often as they reasonably deem necessary in order to discuss the Dispute and negotiate in good faith in an effort to resolve such Dispute. The specific format for such discussions will be left to the discretion of the designated representatives, however, all reasonable requests for relevant information made by one Party to the other Party shall be honored. If the Parties are unable to resolve issues related to a Dispute within thirty (30) days after the Parties' appointment of designated representatives as set forth above, then either Party may file a complaint with the Commission in accordance with the procedures applicable to the resolution of disputes among carriers in the State of Michigan.

29.19 Survival. The Parties' obligations under this Agreement which by their nature are intended to continue beyond the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement, including without limitation, Sections 19.4, 20.4, 21.0, 22.0, 24.0, 25.0, 29.5, 29.7, 29.10, 29.12, 29.16 and 29.18.

29.20 Scope of Agreement. This Agreement is intended to describe and enable specific Interconnection and access to unbundled Network Elements and compensation arrangements between the Parties. This Agreement does not obligate either Party to provide arrangements not specifically provided herein.

29.21 Entire Agreement. The terms contained in this Agreement and any Schedules, Exhibits, tariffs and other documents or instruments referred to herein, which are incorporated into this Agreement by this reference, constitute the entire agreement between the Parties with respect to the subject matter hereof, superseding all prior understandings, proposals and other communications, oral or written. Neither Party shall be bound by any preprinted terms additional to or different from those in this Agreement that may appear subsequently in the other Party's form documents, purchase orders, quotations, acknowledgments, invoices or other communications. This Agreement may only be modified by a writing signed by an officer of each Party, provided, however, that changes or supplements to Schedule 3.0 hereto shall not be considered an amendment to this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of this 11 day of November 1996.

TCG DETROIT

By: _____
Printed: _____
Title: _____

AMERITECH INFORMATION INDUSTRY SERVICES, A DIVISION OF AMERITECH SERVICES, INC., ON BEHALF OF AMERITECH MICHIGAN

By: _____
Printed: Neil E. Cox
Title: President

APPROVED

6175147.3 110896 1640C 96252093

SCHEDULE 3.0

IMPLEMENTATION SCHEDULE

LATA	Ameritech Interconnection Wire Center (AIWC)	TCG Interconnection Wire Center (TIWC)	Interconnection Activation Date
Detroit 340	PNTCMI5OT DTRTMIBH20T WAYNMIMN20T	SFLDMIBVDSO	Already Completed

PRICING SCHEDULE – MICHIGAN

I. Reciprocal Compensation

A. Until the earlier of January 1, 1997 or the date a TSLRIC cost study is approved by the Commission, each Party will bill local traffic charges only if the traffic imbalance exceeds five percent (5%). Once the five percent (5%) threshold is exceeded, the Party terminating the excess traffic will bill the imbalance at $0.015 per minute of use.

B. After January 1, 1997, but only up until the time that a TSLRIC cost study has been approved by the Commission, compensation for the termination of each Party's local calls shall be $0.002 per minute of use for termination of local calls to an end office to which a Party is directly connected; and (b) $0.0035 per minute of use plus applicable Tandem transport charges for transport and termination of local calls at the tandem. Transport charges shall apply based on Ameritech's switched access tandem transport rates.

C. Each Party will bill for local traffic consistent with the requirements of Commission Orders in Case No. U-10647 and Case No. U-10860.

II. Information Services Billing & Collections

Fee = $0.03 per message

III. BLV/BLVI Traffic

Rate = $0.90 per Busy Line Verification
$1.10 per Busy Line Verification Interrupt
(in addition to $0.90 for Busy Line Verification)

IV. Transiting

Rate = $0.002 per minute

V. Unbundled Network Elements

A. Unbundled Loop Rates*

Loop Type	Monthly Rates Access Area[1] A	B	C
Analog 2W	$ 8.60	$11.10	$14.60
Analog 4W	$17.20	$22.20	$29.20
ADSL 2W/HDSL 2W	$ 8.60	$11.10	$14.60
ADSL 4W/HDSL 4W	$17.20	$22.20	$29.20
BRI ISDN	$ 8.60	$11.10	$14.60
PBX Ground Start Coin	$ 8.60	$11.60	$15.10
Coin	$ 8.60	$11.60	$15.10
Electronic Key Line	$ 8.60	$11.60	$15.10

* Common Line Charges and cross-connection charges are included in the referenced Loop rates.

[1] "Access Area" is as defined in Ameritech's applicable tariffs for business and residential Exchange Line Services.

B. Non-Recurring Charges

1. Unbundled Loops

Date of Acceptance of Service Order	Service Order Charge[2]	Line Connection Charge[3]
Prior to 6/1/97	$30	$50
On or after 6/1/97	$30	$35

2. Number Portability

Date of Acceptance of Service Order	Service Order Charge[4]	Initial Line Connection Charge[5]	Charge for Subsequent Additional Call Path Connections[6]
Prior to 6/1/97	$30	$50	$20
On or after 6/1/97	$30	$35	$20

[2] The Service Order Charge is a per occasion charge applicable to any number of Loops ordered for the same location and same Customer account.

[3] The Line Connection Charge applies to each Loop purchase.

[4] The Service Order charge is a per occasion charge applicable per ported account per Customer location.

[5] The Line Connection Charge applies to each ported number. If Number Portability is purchased with the Loop, the Initial Line Connection Charge shall be waived. The Initial Line Connection Charge includes porting the initial number with up to ninety (90) call paths.

[6] The Charge for Subsequent Additional Call Path Connections is applied when purchasing up to an additional ninety (90) paths for an individual ported number. This charge also applies to any changes to the number of call paths on a ported number.

C. Additional Loop Conditioning Charges[7]

Loop Type	Additional Charges per Loop
Electronic Key Line	Rates based on cost
ISDN	$22.50 per month per Loop
HDSL 2W	Rates based on cost
HDSL 4W	Rates based on cost
ADSL 2W	Rates based on cost

[7] The Additional Loop Conditioning Charges are only applicable if the distance requested on an ordered Loop exceeds such Loop's corresponding transmission characteristics as set forth in Section 9.4.5.

VI. Interim Telecommunications Number Portability

A. Up to twenty (20) call paths per ported number:

Rate = $3.00 per ported number per month.

B. Twenty-one (21) to ninety (90) call paths per ported number:

Rate = $0.50 per each additional call path over twenty (20) per month.

C. Ninety-one (91) or more call paths per ported number: Individual case basis.

EXHIBIT A

NETWORK ELEMENT BONA FIDE REQUEST

1. Each Party shall promptly consider and analyze access to a new unbundled Network Element with the submission of a Network Element Bona Fide Request hereunder.

2. A Network Element Bona Fide Request shall be submitted in writing and shall include a technical description of each requested Network Element.

3. The requesting Party may cancel a Network Element Bona Fide Request at any time, but shall pay the other Party's reasonable and demonstrable costs of processing and/or implementing the Network Element Bona Fide Request up to the date of cancellation.

4. Within ten (10) business days of its receipt, the receiving Party shall acknowledge receipt of the Network Element Bona Fide Request.

5. Except under extraordinary circumstances, within thirty (30) days of its receipt of a Network Element Bona Fide Request, the receiving Party shall provide to the requesting Party a preliminary analysis of such Network Element that is the subject of the Network Element Bona Fide Request. The preliminary analysis shall confirm that the receiving Party will offer access to the Network Element or will provide a detailed explanation that access to the Network Element is not technically feasible and/or that the request does not qualify as a Network Element that is required to be provided under the Act.

6. If the receiving Party determines that the Network Element that is the subject of the Network Element Bona Fide Request is technically feasible and otherwise qualifies under the Act, it shall promptly proceed with developing the Network Element Bona Fide Request upon receipt of written authorization from the requesting Party. When it receives such authorization, the receiving Party shall promptly develop the requested services, determine their availability, calculate the applicable prices and establish installation intervals.

7. Unless the Parties otherwise agree, the Network Element that is the subject of the Network Element Bona Fide Request must be priced in accordance with Section 252(d)(1) of the Act.

8. As soon as feasible, but not more than ninety (90) days after its receipt of authorization to proceed with developing the Network Element that is the subject of the Network Element Bona Fide Request, the receiving Party shall provide to the requesting Party a Network Element Bona Fide Request quote which will include, at a minimum, a description of each Network Element, the availability, the applicable rates and the installation intervals.

9. Within thirty (30) days of its receipt of the Network Element Bona Fide Request quote, the requesting Party must either confirm its order for such Network Element pursuant to the Network Element Bona Fide Request quote or seek arbitration by the Commission pursuant to Section 252 of the Act.

10. If a Party to a Network Element Bona Fide Request believes that the other Party is not requesting, negotiating or processing the Network Element Bona Fide Request in good faith, or disputes a determination, or price or cost quote, such Party may seek mediation or arbitration by the Commission pursuant to Section 252 of the Act.

PRICING SCHEDULE - MICHIGAN - PRE JANUARY 1, 1997 PRICING [1]

This Pricing Schedule - Michigan - Pre January 1, 1997 Pricing shall only be operative and effective on and from the Effective Date until December 31, 1996. On and after January 1, 1997, this Pricing Schedule - Michigan - Pre January 1, 1997 Pricing shall cease to be of any force and effect and the terms of the Pricing Schedule - Michigan shall apply thereafter during the term of this Agreement.

I. Reciprocal Compensation

If the number of minutes of Local Traffic terminated by either Party on the other Party's network is greater than five percent (5%), plus or minus, of the number of minutes of Local Traffic terminated by the other Party, the Parties shall compensate each other for the transport and termination of Local Traffic at the rate of $0.015 per minute of use.

II. BLV/BLVI Traffic

Rate = $0.90 per Busy Line Verification
$1.10 per Busy Line Verification Interrupt
(in addition to $0.90 for Busy Line Verification)

III. Unbundled Network Elements

A. Unbundled Loop Rates

1. Loops - Business - two wire

Rate = $8.00 per month plus $0.21 cross-connection charge per Loop

Loops - Business - four wire

Rate = $16.00 per month plus $0.42 cross-connection charge per Loop

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[1] These rates, terms and conditions shall apply unless altered by the Michigan Public Service Commission prior to December 31, 1996. If such action occurs, the resulting rates, terms and conditions shall apply during the Interim Period.

2. Loops - Residential - two wire

Rate = $11.00 per month plus $0.21 cross-connection charge per Loop

Loops - Residential - four wire

Rate = $22.00 per month plus $0.42 cross-connection charge per Loop

B. Non-Recurring Charges

1. Unbundled Loops

Not applicable pre January 1, 1997.

2. Number Portability

Not applicable pre January 1, 1997.

C. Additional Loop Conditioning Charges[2]

Loop Type	Additional Charges per Loop
Electronic Key Line	Rates based on cost
ISDN	$22.50 per month per Loop
HDSL 2W	Rates based on cost
HDSL 4W	Rates based on cost
ADSL 2W	Rates based on cost

IV. Interim Telecommunications Number Portability

Rate = $1.14 per ported number per month including twenty (20) call paths.

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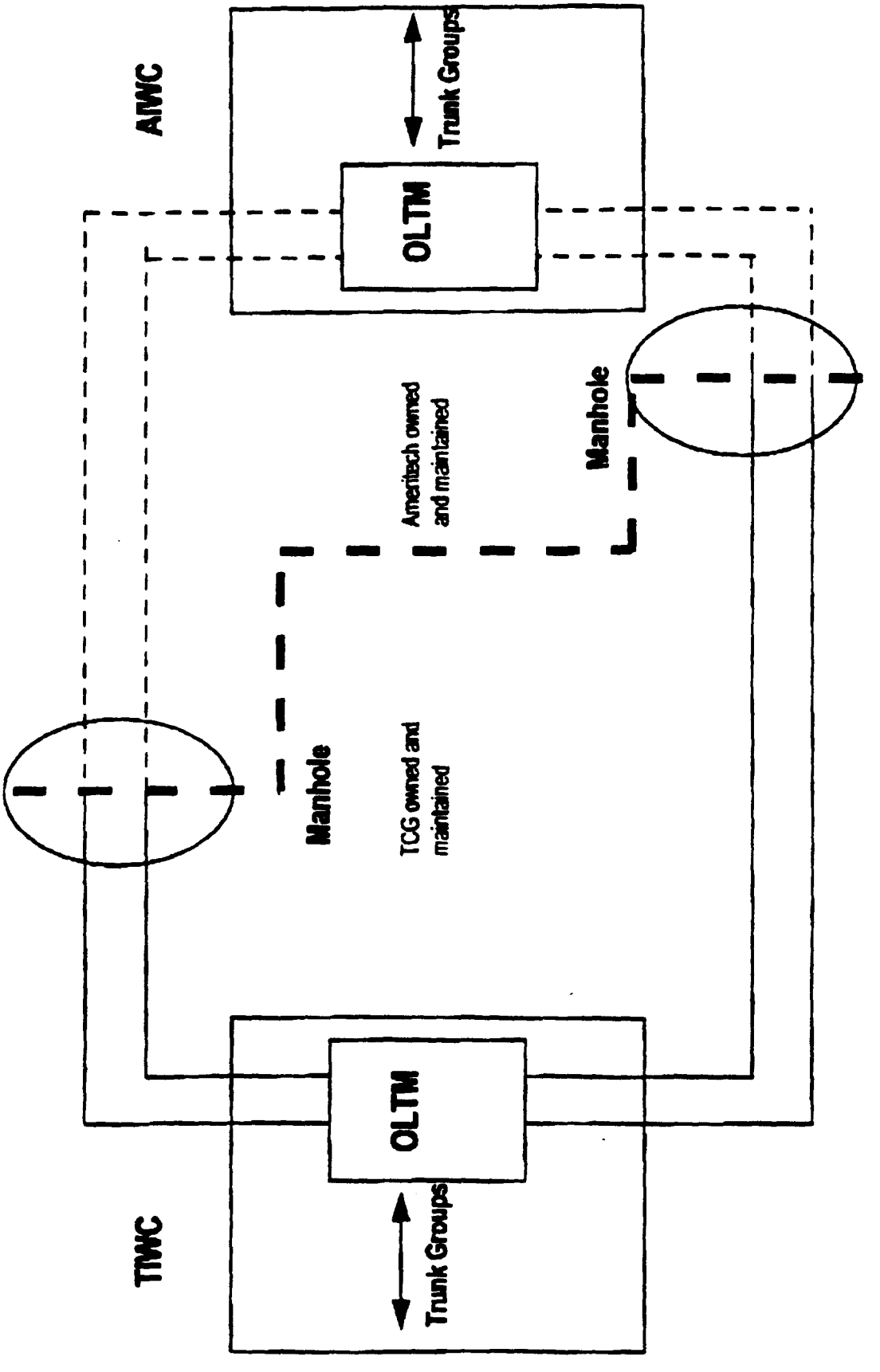
[2] The Additional Loop Conditioning Charges are only applicable if the distance requested on an ordered Loop exceeds such Loop's corresponding transmission characteristics as set forth in Section 9.4.5.

Exhibit B

TCG/Ameritech Fiber Meet



STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the petition of TCG DETROIT for arbitration to establish an interconnection agreement with AMERITECH MICHIGAN.	)))))	Case No. U-11138

At the November 1, 1996 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. John C. Shea, Commissioner
Hon. David A. Svanda, Commissioner

ORDER APPROVING AGREEMENT ADOPTED BY ARBITRATION

On July 16, 1996, TCG Detroit (TCG) filed a petition requesting the Commission to arbitrate unresolved issues related to an interconnection agreement that it was negotiating with Ameritech Michigan.[1] On August 12, 1996, Ameritech Michigan filed a response. Elizabeth Durbin and Rodney Gregg of the Commission's Communications Division and Theodora M. Mace of the Commission's Administrative Law Judge Division were assigned to the arbitration panel.

The arbitration panel met with representatives of the parties on August 20 and September 17, 1996. At the later meeting, the parties made presentations on their proposed

[1]TCG had previously requested negotiations with Ameritech Michigan by a letter dated February 8, 1996.

decisions of the arbitration panel, which they filed on September 9, 1996. The parties identified three provisions of their agreement that had not been resolved through negotiations: (1) reciprocal compensation for exchanging local traffic, (2) arrangements for billing toll carriers for interexchange access and sharing access revenues, and (3) indemnification. The parties also submitted an agreement that incorporated the rates, terms, and conditions reached through negotiation.

On October 3, 1996, the arbitration panel issued its decision on the three unresolved issues, as follows:

1. Each party should charge for both tandem and end-office termination of each other's local traffic by using the default proxy rates established by the Federal Communications Commission (FCC) in its recent rulemaking related to interconnection, among other things.[2] The charge for termination at the end office is 0.2¢ per minute of use (the low end of the default range specified by the FCC). The total charge for termination at the tandem switch is 0.35¢ per minute of use (the 0.2¢ end-office charge plus a 0.15¢ tandem charge.)

2. Each party should separately bill toll carriers for the specific elements of access that it provides to them. The party providing end-office termination would bill the residual interconnection charge (RIC) and retain all revenues from the RIC.

3. Indemnification obligations should be subject to provisions in each provider's tariffs that limit its liability to a customer to the amount it charges for service and that preclude consequential damages. Each party should agree to indemnify the other for any liability in excess of the tariff limitations.

TCG and Ameritech Michigan both filed exceptions to the first determination, and TCG also filed exceptions to the latter two.

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[2]First Report and Order, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Providers, 61 Fed. Reg. 45476 (1996) (codified in 47 CFR pts. 1, 20, 51, and 90), stayed in part pending appeal in Iowa Utilities Board v Federal Communications Comm, decided October 15, 1996 (CA 8, Docket No. 96-3321 et al.).

With respect to the first issue, Ameritech Michigan argues that its cost studies support an end-office termination charge that equals or exceeds the high end of the FCC's default proxy range (0.4¢ per minute of use). It claims that TCG did not attempt to rebut its cost studies. It also argues that the cost studies that the FCC relied on to set the default range did not conform to the FCC's own cost standards, as set forth in the rulemaking.

Further, Ameritech Michigan argues that the arbitration panel's decision does not comply with Michigan law. In this regard, it states that MCL 484.2352; MSA 22.1469(352) provides that the rates established in Case No. U-10647 for local termination remain in effect until the Commission approves a total service long run incremental cost (TSLRIC) study. As a result, it says that the rates established in this proceeding may not fall below the rates in Case No. U-10647.

In its exceptions, TCG argues in support of its proposed bill-and-keep arrangement for reciprocal compensation, even though the arbitration panel adopted TCG's alternative position. Under TCG's bill-and-keep proposal, each party would waive charges for terminating local traffic that originated on the other's network. TCG argues that federal law grants discretion to the Commission to adopt bill-and-keep arrangements in the absence of a showing that the flows of local traffic between the two providers' networks will not be roughly in balance. It claims that Ameritech Michigan did not make a showing that traffic imbalances would occur and that, even if there were imbalances, it is likely that TCG would terminate more traffic than Ameritech Michigan in the short run. In the long run, TCG claims, the only reason that full interconnection might not produce a rough balance is that Ameritech Michigan's historical monopoly could distort traffic flows that are influenced by communities of interest and demographic patterns.

TCG also argues that if the Commission adopts the arbitration panel's decision, it should articulate another rationale for using the FCC's default rates, given that the federal circuit court has

stayed the FCC's rulemaking. TCG suggests that the default rates are reasonable and comply with both the federal Telecommunications Act of 1996, 47 USC 251 et seq., and the Michigan Telecommunications Act, MCL 484.2101 et seq.; MSA 22.1469(101) et seq. It says that the rates proposed by Ameritech Michigan are based on cost studies that the Commission rejected in the September 12, 1996 order in Case No. U-10860 et al.

The Commission agrees with the arbitration panel's finding that the rates proposed by TCG as an alternative to bill and keep are the most reasonable of the positions offered by either party. The Commission agrees with the panel that Ameritech Michigan's cost studies should not be used as a basis for the rates because the methodologies in those studies were discredited in Case No. U-10860 et al. It also agrees with the panel that TCG's bill-and-keep proposal is not an optimal solution because it ignores the cost effects of traffic imbalances.

The Commission also agrees with the panel's reasons for setting the rate for end-office termination at 0.2¢ per minute of use, which is the low end of the default range (0.2¢ to 0.4¢ per minute). As stated by the panel, the low end is better supported by the studies that were used in defining the range. The panel also drew an inference from a statement during arbitration hearings that Ameritech Michigan is a low-cost provider. Ameritech Michigan's chief support for setting a higher rate was its own cost studies, which, as already stated, have been discredited. Moreover, adopting the low end of the range is an appropriate means of promoting competition as an interim measure prior to the approval of studies that provide a more accurate indication of the cost of local traffic termination. The Commission is persuaded that the rates approved by the arbitration panel

are just and reasonable, the standard for purposes of MCL 484.2352(1); MSA22.1469(352)(1) as of January 1, 1997.[3]

For the period until January 1, 1997, MCL 484.2352; MSA 22.1469(352) applies different rate requirements. For that period, the rates must be equal to TSLRIC if a cost study has been approved or must conform to the rates established in Case No. U-10647[4] if no study has been approved. Until the earlier of January 1, 1997 or the date a study is approved, the requirements from Case No. U-10647 will continue to apply, which means that each provider will bill local traffic charges only if the traffic imbalance exceeds 5%. Once the 5% threshold is exceeded, the provider terminating the excess traffic will bill the imbalance at 1.5¢ per minute of use.[5] This approach is consistent with the August 22, 1996 order in Case No. U-11098 addressing a negotiated interconnection agreement between Ameritech Michigan and MFS Intelenet of Michigan, Inc. The interconnection agreement submitted by the parties in this case acknowledges this requirement.[6]

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[3]However, this determination is subject to review on the basis of an approved cost study that demonstrates whether the rates equal or exceed TSLRIC. See MCL 484.2102(y); MSA 22.1469(102)(y).

[4]In the February 23, 1995 and subsequent orders in Case No. U-10647, the Commission established interconnection rates for City Signal, Inc., and Ameritech Michigan.

[5]See also the June 5, 1996 order in Case No. U-10860, pp. 9-11, and the September 12, 1996 order in Case No. U-10860, pp. 10-18.

[6]The agreement's pricing schedule for periods prior to January 1, 1997 reflects the rate adopted in Case No. U-10647 for reciprocal compensation. In a footnote, the schedule states:

> These rates, terms and conditions shall apply unless altered by the Michigan Public Service Commission prior to December 31, 1996. If such action occurs, the resulting rates, terms and conditions shall apply during the Interim Period.

In the order in Case No. U-11098, supra, p. 16, the Commission construed similar language as recognizing "that the rates, terms, and conditions established in Case No. U-10647, as modified or reaffirmed in Case No. U-10860, or as otherwise determined by the Commission are controlling."

With respect to the second issue, TCG argues that the arbitration panel's decision would allow Ameritech Michigan, when it provides end-office termination, to retain revenues that cover the cost of services that may be provided with TCG's tandem facilities. This could occur because the RIC, which is assessed on the basis of end-office termination, recovers part of the cost of tandem switching. TCG proposes that the provider with tandem facilities connected to the toll carrier issue a single bill covering applicable access charges of both providers. When TCG provides the tandem switching and Ameritech Michigan the end-office termination, TCG's proposal would have it remit 70% of the RIC and other end-office charges to Ameritech Michigan and retain 30% for itself.

The Commission adopts the arbitration panel's decision to authorize each provider to bill toll carriers for the specific elements of access that it provides, as proposed by Ameritech Michigan. Although TCG's argument raises a question concerning the current structure of the RIC, a comprehensive restructuring of toll access charges, including the RIC, is imminent. Under the circumstances, it would not be practical at this time to adopt a stopgap measure based upon TCG's view that access charges are not shared equitably. The FCC is in a better position to initiate a review of access charges in the first instance, given that access affects both interstate and intrastate toll traffic. In general, tariffs for intrastate access currently "mirror," or incorporate the same charges as those provided in, interstate tariffs. See MCL 484.2310(2); MSA 22.1469(310)(2).

With respect to the third issue, relating to indemnification, TCG argues that each provider should indemnify the other fully for liability to their own customers if the liability can be attributed to facilities, personnel, or problems that are within the indemnifying provider's control. TCG claims that if its customers incur damages from substandard service caused by Ameritech Michigan's network, the Commission's complaint process would not provide an effective, timely remedy,

particularly if TCG loses the customer. TCG argues that Ameritech Michigan's offer of limited indemnification reflects an anticompetitive, monopolistic mindset that seeks to restrict all customers to the same type of service. TCG says that, in the short run, no competitive provider will be able to offer service without interconnections to Ameritech Michigan's much larger network.

TCG states that the parties have continued to negotiate and that Ameritech Michigan has made some concessions on the indemnification issue in a proceeding in Wisconsin. Although TCG objects to that proposal as well, it says that it is an improvement on the indemnification provision adopted by the arbitration panel.

The Commission is not persuaded that either party's final offer would be an acceptable term or condition of an interconnection agreement. Both offers may create perverse incentives. As observed by the arbitration panel, TCG's offer could create an incentive for providers to overbuild their networks as a means of providing backup against service outages, even if the duplicative facilities would not be economically efficient. It may also induce TCG to compete for customers by offering them better guarantees of performance than could be economically justified if TCG were required to build and maintain all of the facilities that are necessary to provide service. On the other hand, Ameritech Michigan's offer on the indemnity issue precludes customers from seeking to improve the quality of the service offered to them by competing providers. It could also create a disincentive for an incumbent to provide services to an interconnecting provider that are comparable to the services it provides to its own end-use customers. Both positions could lead to discriminatory concessions in favor of selected customers or against disfavored providers. Neither is compatible with a competitive market or the purposes of the Michigan Telecommunications Act. See MCL 484.2101(2); MSA 22.1469(101)(2). The Commission will not rewrite either party's indemnification offer and therefore concludes that both must be rejected.