wholly-owned subsidiary of MCI Communications Corporation, or MCIC.

Q: **IS MCIMETRO CURRENTLY AUTHORIZED TO DO BUSINESS IN SOUTH CAROLINA?**

A: Yes. MCImetro received authority to conduct business in South Carolina on September 6, 1995.

Q: **PLEASE DESCRIBE MCIMETRO'S SERVICES AND HOW THE COMPANY INTENDS TO PROVIDE THEM.**

A: MCImetro seeks authority to provide local switched and private line telecommunications services to the public throughout the BellSouth, GTE and SPRINT LTD certificated areas statewide, initially reselling local services and/or using unbundled network elements obtained from other carriers, and eventually providing local services via facilities either constructed, owned, leased and/or managed by MCImetro. MCImetro is not seeking authority to provide local services in any rural independent telephone company certified areas at this time. In addition, MCImetro seeks authority to provide intraLATA intrastate long distance services throughout MCImetro's service areas in the State of South Carolina.

1 Q: **FROM WHOM WILL MCIMETRO OBTAIN INTRASTATE LONG DISTANCE**
2 **SERVICE?**
3 A: MCImetro will use MCI Telecommunications to provide its
4 intrastate long distance service on its administrative lines.
5 However, MCImetro's customers will be able to choose any long
6 distance company they want. When MCImetro installs local
7 switching facilities it will provide 1+ interLATA and
8 intraLATA equal access to all long distance service providers
9 so that customers can presubscribe or "PIC" the long distance
10 company of their choice.
11
12 Q: **HOW DOES MCIMETRO BILL FOR ITS SERVICES?**
13 A: Customers will be directly billed by MCI.
14
15 Q: **HOW ARE CUSTOMER BILLING INQUIRIES HANDLED?**
16 A: Customers may contact MCImetro for billing inquiries through
17 a toll free number. The number is printed on each customer
18 bill. The Center is open 6:00 a.m. to 9:00 p.m. Mountain Time.
19
20 Q: **DOES MCIMETRO HAVE ITS OWN CUSTOMER SERVICE DEPARTMENT?**
21 A: Yes. Customers may contact MCImetro directly for repair and
22 maintenance or service inquiries. The toll free number for
23 MCImetro's Customer Service Department is (800) 374-6400. The
24 Customer Service Department is open 7 days a week, 24 hours
25 and day for repair, maintenance and dispatch and from 6:00

a.m. to 9:00 p.m. Monday through Friday, Central Time for new orders and changes of service.

**Q: IS MCIMETRO AUTHORIZED TO PROVIDE LOCAL SERVICE IN OTHER STATES?**

A: Yes. MCImetro is currently authorized to offer service in the states of California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, North Carolina, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, and Wisconsin. MCImetro is currently pursuing certification and has applications pending in Alabama, Arkansas, Arizona, Louisiana, Mississippi and Colorado.

**Q: PLEASE DISCUSS THE TECHNICAL ABILITY OF MCIMETRO TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH CAROLINA.**

A: MCImetro will utilize the technical expertise of the underlying carrier when it is either acquiring unbundled elements from that carrier or reselling that carrier's services. MCImetro intends to do both. In addition, MCImetro's own in-house abilities will be used to augment the expertise and technical assistance obtained from the underlying carrier. The company plans to initially utilize the switching facilities of an underlying carrier with

facilities and equipment owned and/or operated by MCImetro or an underlying carrier.

When MCImetro begins to provide facility based local service it will rely on its own in-house abilities and may augment its expertise with service contracted for with an Incumbent Local Exchange Carrier.

**Q: PLEASE DISCUSS THE MANAGERIAL ABILITY OF MCIMETRO TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH CAROLINA.**

A: MCImetro's own management team includes individuals with the skills and experience necessary for the successful provision of quality telecommunications services. The company's management team consists of professionals with backgrounds in business management, finance, telecommunications, marketing and engineering. Brief resumes for MCImetro's key management personnel were provided as Exhibit "C" to the Company's Application, which I adopt for purposes of this testimony.

**Q: DESCRIBE MCIMETRO'S FINANCIAL RESOURCES FOR PROVIDING TELECOMMUNICATIONS SERVICES IN SOUTH CAROLINA.**

A: MCImetro is financially able to provide service in South Carolina. As I noted earlier, MCImetro is a wholly-owned subsidiary of MCImetro, Inc. which is a wholly-owned subsidiary of MCIT, an interexchange carrier duly registered to provide interexchange long distance services in South

Carolina. MCIT, in turn, is a wholly-owned subsidiary of MCIC. Exhibits "D-1" and "D-2" to the Application, which are MCIC's most recent 10-K Report and Annual Report to Shareholders, demonstrate that MCImetro will have more than sufficient financial resources to support its proposed operations in South Carolina. I incorporate these exhibits in my testimony by this reference.

**Q: WHY IS IT IN THE PUBLIC INTEREST FOR THE COMMISSION TO GRANT MCIMETRO A CERTIFICATE TO OPERATE IN SOUTH CAROLINA?**

A: MCImetro offers competitively priced local service and a variety of rate plans or service options. The company's product offerings are easy to understand and provide consumers with a viable alternative to other carriers. Certification of MCImetro in South Carolina will permit South Carolina consumers to take advantage of MCImetro's offerings.

In addition, certification of MCImetro will enhance telecommunications competition in South Carolina. Competition encourages technological innovation and efficient use of resources. Increased competition has proven to benefit consumers by providing a wide variety of services and prices from which consumers can choose. Finally, price competition enables consumers to obtain the services they desire at reasonable prices.

1 **Q: DOES MCIMETRO HAVE THE ABILITY TO PROVIDE VIABLE LOCAL**
2 **EXCHANGE SERVICES WITHIN SOUTH CAROLINA?**
3 A: Yes. I believe MCImetro has the managerial, technical and
4 financial ability and resources to provide long distance
5 services within South Carolina.
6
7 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**
8 A: Yes.

2 MCI\MET\DARNELL.TES

# ATTACHMENT 2

**BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION**

RECEIVED
SEP 05 1997
EXECUTIVE SECRETARY
G.P.S.C.

| | | |
|---|---|---|
| IN RE: | ) | |
| | ) | |
| Review of Cost Studies, | ) | Docket No. 7061-U |
| Methodologies and cost-Based | ) | |
| Rates for Interconnection and | ) | |
| Unbundling of BellSouth's | ) | |
| Telecommunications Services | ) | |

**PREFILED TESTIMONY OF MICHAEL D. ENGLISH ON BEHALF OF MGC COMMUNICATIONS, INC.**

**Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS.**

A. My name is Michael English. I am the President of the Eastern Region of MGC Communications, Inc. ("MGC"). I am responsible for the oversight of our operations in Atlanta, Georgia.

**Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE AND BACKGROUND.**

A. I have over 27 years of telephone experience, including serving in senior executive positions directing engineering, operations, business office, sales, and marketing functions. I hold a Bachelor of Science Degree in Electronics Engineering Science and a Masters Degree in Business Administration. I have been responsible for the negotiation and implementation of MGC's Interconnection Agreement with BellSouth, as well as for the installation of our DMS 500 switch at our operations center in Toco Hills. I am also responsible for the implementation of collocated technology within BellSouth central offices.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

A. No.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. I offer this testimony to address certain issues relating to the collocation of remote technology within the central offices of BellSouth, and issues relating to the cost thereof.

**Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE BUSINESS OF MGC.**

A. MGC is a Nevada Corporation, organized in 1995, and doing business in the State of Nevada as "NevTEL". MGC is certificated in Georgia, Nevada and Illinois, and has certificate applications pending in the States of California, Florida, and Massachusetts. MGC has a signed interconnection agreement in Nevada with Sprint, in Georgia and North Carolina with BellSouth, in Illinois with Ameritech, and in California with GTE and Pac Bell. In Georgia the interconnection agreement has been approved by this commission. Negotiations are virtually complete with Sprint in Illinois and have been commenced with NYNEX in Massachusetts, Bell Atlantic in Pennsylvania, SBC in Texas, and US West in Arizona. MGC has been providing service in the State of Nevada since November, 1996, on both facilities and resale bases. In the Las Vegas area, MGC currently has approximately 13,000 lines in service. In Atlanta, the switch is operational, and we expect to be able to provide service by October.

**Q. HOW DOES MGC DEPLOY EQUIPMENT FOR ITS SERVICE OFFERING?**

A. MGC will commence service through a building it has purchased in the Toco Hills area. It has acquired and installed a Nortel DMS 500 Switch. Its network will be similar in most characteristics to that currently deployed in its Nevada operation, featuring the Nortel DMS 500 switch, used in combination with collocated technology to complete its network. MGC does not intend to construct a substantial transport network, but, rather intends to lease its transport needs through existing facilities. By virtue of its collocation arrangements with BellSouth, MGC is in the process of collocating in the wire centers located in Buckhead, Dunwoody, and Sandy Springs, and has plans to enter 12 additional central offices with collocated technology within the next 12 months.

Q. **WHAT ISSUE DOES MGC SEEK TO ADDRESS IN THIS DOCKET?**

A. To the extent that this proceeding will address issues related to the cost of collocation, MGC would respectfully request that this Commission review not only the cost basis for the assessment of fees associated with the construction of collocation space, but also the manner in which collocation space is designed and built. Specifically, BellSouth currently requires that collocation space be constructed with a fully-walled enclosure. This procedure is much more extensive, and more expensive than the procedures used in other jurisdictions. For example, in California, physical collocation is accomplished (with both GTE and Pac Bell) via a wire cage. This cage provides adequate security, and is considerably less expensive to construct. BellSouth's total estimated cost to construct collocation space for MGC in Buckhead, Dunwoody, and Sandy Springs is $317,221.00. This gives MGC the capacity to access only 2,000 lines per

central office. We believe that BellSouth's adherence to these unnecessary construction requirements adds needless and substantial additional cost to new market entrants, such as MGC.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

# ATTACHMENT 3

**BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION**

| | | |
|---|---|---|
| **In re:** | ) | |
| **Review of Cost Studies, Methodologies,** | ) | |
| **and Cost-Based Rates for Interconnection** | ) | **Docket No. 7061-U** |
| **and Unbundling of BellSouth** | ) | |
| **Telecommunications Services** | ) | |

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G.P.S.C

**BRIEF AND PROPOSED ORDER**
**OF THE ADVOCATE STAFF**

## INTRODUCTION

The Georgia Public Service Commission's ("Commission") Advocate Staff ("Staff") submits the following brief and proposed order, containing the Staff's recommendations for rates to be applied to BellSouth Telecommunications, Inc.'s ("BellSouth") interconnection and unbundling including the unbundled network elements, non-recurring charges, collocation, and access to poles, ducts, conduits and rights-of-way.

In summary, the Staff recommends the use of BellSouth's TELRIC Calculator cost model with specific adjustments. These adjustments include a lower cost of capital, lower depreciation rates, slightly higher fill factors, a corrected loop sample, and moving certain shared costs from non-recurring charges to recurring rates. The Staff's recommended adjustments result in a 2-wire analog unbundled loop recurring (monthly) rate of $16.51. The Staff's recommended non-recurring charge associated with the 2-wire analog loop is $42.54, plus a separate disconnection charge of $11.00 that would be payable if and when the CLEC asks for disconnection of the loop. The Staff recommends removal of BellSouth's proposed Residual Recovery Requirement.

The Staff also recommends review of the proposed OSS cost recovery amounts, and any further review of the associated rate design, after BellSouth has implemented the long-term electronic interfaces that are currently projected for completion by December 1997.

Specifically, the Staff recommends an initial charge of $200 per CLEC, and a monthly charge of $550.00 per CLEC, for the use of electronic interfaces. The monthly $550.00 charge would include up to 1,000 orders. There should also be an additional monthly charge of $110.00 per thousand orders above the first 1,000. There would be no OSS charge within the per-order service (non-recurring) charge.

## C. Collocation

The parties presented sharply differing views regarding collocation costs. In particular, the parties debated the construction and costs for space preparation which BellSouth proposed should be handled on an "Individual Case Basis" ("ICB") with individually negotiated charges. BellSouth proposed that a CLEC submit an inquiry, and then a BellSouth planner will verify the floor plan, and confer with the Network Capacity Management department about the projected two-year growth of BellSouth equipment. Collocators have the option of providing for their own two-year growth by requesting or reserving this additional space with their Bona Fide Firm Order. The planner will consider the ingress / egress so that, optimally, CLECs can reach their space without passing through BellSouth equipment space. (Redmond Surrebuttal at 8-9.) The potential collocating CLEC would subsequently submit a Bona Fide Firm Order along with a fee, and pay half of the quoted charges

prior to occupying the physical collocation space. The remaining half of the charges would be due within 30 days thereafter.

AT&T/MCI witness Crockett criticized BellSouth's collocation methods and procedures, particularly with respect to the construction of physical collocation space. For example, using wire mesh rather than gypsum as BellSouth proposed yields substantial cost savings. Mr. Crockett pointed out that a number of ILECs throughout the rest of the country, such as Bell Atlantic, are allowing and already have built collocation enclosures using wire mesh, without any apparent safety or transmission problems. (Crockett Rebuttal at 9.) MGC witness English also testified that physical collocation is accomplished in California (with both GTE and Pac Bell) via a wire cage. (English Direct at 3.)

AT&T and MCI also sponsored a Collocation Model to determine the investment and operating costs that would be incurred by an efficient ILEC to provide collocated space in a central office, using forward-looking technology that is currently available. This Collocation Model recognized that it would be most efficient for ILECs to locate space for multiple collocators together, but that large blocks of space are unlikely to be available within a central office or may be located several floors away from the existing ILEC cross-connect systems. AT&T/MCI witness Klick testified that the Collocation Model assumes designing and equipping of a 550-square foot area that would provide four 100-square foot collocation areas. (Klick Direct at 9.)

AT&T/MCI's Collocation Model does not include the costs of retrofitting the central office to meet asbestos removal or ADA (Americans with Disabilities Act) requirements, nor other costs associated with repairing or remodeling existing building space, on the basis that such costs would

not be consistent with the forward-looking, least-cost approach. Its "Central Office Model Layout" assumes the central office is equipped with an automated security card reading system. The investment required to construct the collocation space was separated into three categories: (1) assets shared by the four potential CLEC collocators and the ILEC; (2) assets shared by the four potential collocators but not the ILEC; and (3) assets used exclusively by one CLEC. The total cost for collocation space depends upon the requirements for elements such as connectivity, usage of power, and number of cages required by a CLEC at a particular location. For example, a CLEC may request a combination of copper connectivity such as voice grade and DS-1 (DSX), or only voice grade service. Mr. Klick testified that it would be inaccurate to sum all of the recurring costs to arrive at a grand total, because several alternative costs are presented for elements such as Power Delivery and Circuitry. He presented the results of the Collocation Model for Georgia as a printout in his Exhibit JCK-2, and the electronic version of the model itself on diskette as his Exhibit JCK-3. (Klick Direct at 9-11.)

BellSouth witness Redmond disagreed with several aspects of the Collocation Model sponsored by AT&T and MCI. She described it as assuming a new urban central office designed for up to 150,000 lines, with 36,000 square feet in the form of three 12,000-square foot equipment floors plus a below-ground cable vault. In addition there would be 3,000 square feet on each floor, and an entire basement, for building support and administrative offices. This would equate to 15,000 square feet for four floors totaling 60,000 gross square feet. She noted that the model proponents maintain that such an office is consistent with facilities that have been constructed within the past five years. (Redmond Surrebuttal at 3-4.)

Ms. Redmond argued that such a model central office is not a realistic representation of BellSouth urban central offices, stating that no new urban central offices have been built in Georgia in over five years. She stated that BellSouth urban central offices are typically very large facilities that were built when telecommunications switches required greater footprints of floor space. The more space-efficient switches of today does leave large amounts of space, but as large pockets of space have come available that space has been renovated for use as administrative offices. Ms. Redmond explained that BellSouth's method of planning physical collocation space differs from the Collocation Model sponsored by AT&T and MCI. (Redmond Surrebuttal at 5-6.)

In particular, Ms. Redmond argued that the Collocation Model is not practical for real collocation arrangements for various reasons. She testified that only a very few CLECs, to date, have placed Bona Fide Firm Orders for physical collocation arrangements of 100 square feet (18.4 percent). She recognized that the model could easily be converted to two 10-foot by 20-foot cages with a center aisle, allowing for another 44.9 of the CLECs, but asserted that the model would not work for the remaining 36.7 percent of the collocators at all. Ms. Redmond also asserted that the model's placement of the POT bay and BDFB's in the center aisle is not practical. BellSouth believes that one large, commonly shared collocation space is more practical and economical for such reasons as the sharing of HVAC, lighting, alarms, controls, electrical distribution, etc. Therefore BellSouth concludes that the facilities and the spaces within them are so unique that individual planners should carefully evaluate each facility upon inquiry, for the best overall plan. (Redmond Surrebuttal at 6-7 )

Ms. Redmond also testified that out of 191 central offices in Georgia, only 45 have electronic security card systems as the Collocation Model assumes, because they cost $10,000 per door. This

is why placing collocation areas in space where ingress / egress renovations are minimal is very important to BellSouth's planning process. (Redmond Surrebuttal at 9.)

In addition, whereas the Collocation Model refers to competitive bidding for reducing construction costs, BellSouth does not bid collocation projects because that would unduly lengthen the time frame for meeting a Bona Fide Firm Order for physical collocation. Contracts with several CLECs and at least one state commission provide that this time frame will be as short as 90 days maximum; therefore, Ms. Redmond stated, projects to construct physical collocation arrangements must be negotiated with general contractors under a BellSouth master agreement. She explained that samples of projects below $100,000 were submitted to multiple contractors in Florida, Louisiana, North Carolina and South Carolina for bids. The result was the guarantee of cost plus a percentage lower than standard for jobs of this size on negotiated projects below $100,000. This figure was then used to negotiate the same deal with contractors in the other five BellSouth states, including Georgia. Projects of over $100,000 are always bid unless time is a factor, in which case the project will be negotiated under the cost-plus agreement just mentioned. When time is a factor in very large projects (for example, one million dollars), the master agreement includes negotiating the cost-plus fee down as low as 4 percent. BellSouth believes that this process is cost-efficient and provides assurance, through repetition with a small number of contractors, a technical proficiency for working in BellSouth facilities. (Redmond Surrebuttal at 9-11.)

Ms. Redmond also took issue with AT&T and MCI's use of the R.S. Means data book for building construction costs. She agreed that it is perhaps the best estimating tool of its type on the market, but cautioned that it must be used in the proper context. Using a "mean" number when

estimating can be misleading and can be skewed from reality, she testified; although BellSouth uses the R.S. Means occasionally, it does so only when data from previous jobs or from contractor invoices and estimates are not available. (Redmond Surrebuttal at 12.) Ms. Redmond also criticized the AT&T/MCI approach to barriers and enclosure walls, and testified that BellSouth must use precautionary measures during construction and ensure safety through the placement of a gypsum board wall with rigid security fencing at the top to separate BellSouth equipment spaces from collocators' equipment spaces. BellSouth will use the same wall, minus the security fencing, to separate the collocators from each other when an enclosure is requested. Ms. Redmond specifically criticized the use of wire mesh fencing on the basis that it would be too easy for a maintenance worker to contact the wire fence. Further, she argued that CLECs should bear such costs as those associated with the Americans with Disabilities Act, demolition and asbestos removal when necessary, code-required upgrades, etc. Ms. Redmond concluded that the construction and the costs represented by BellSouth's estimates are fair and reasonable, and will compensate BellSouth for the legitimate expenses incurred when preparing space for physical collocation. (Redmond Surrebuttal at 14-16, 17-20.)

***Discussion***

The Staff notes that BellSouth's cost proposal for the construction of space enclosures is $45 per square foot. However, BellSouth proposed an Individual Case Basis ("ICB") for space preparation, which the Staff submits is an obstacle to competition because it introduces unnecessary uncertainty into the process of obtaining physical collocation. This represents a significant economic barrier to physical collocation, and ultimately facilities-based competition. Both the Georgia Act and

the 1996 Act indicate strong legislative goals of fostering greater competition, especially facilities-based competition. On the other hand, the AT&T/MCI Collocation Model assumes that the CLEC will not bear any space preparation charge, which does not appear to be reasonable. Therefore the Staff recommends that a specific, albeit reasonable charge be adopted for space preparation to encourage physical collocation.

In order to develop a reasonable space preparation charge on a per-foot basis, the Staff finds it reasonable to review the actual experience of a CLEC, specifically MGC. MGC witness English, President of MGC's eastern region, presented testimony showing that the combined cost for space preparation for three Atlanta metropolitan locations (Buckhead, Dunwoody, and Sandy Springs) total $317,221. Thus the average space preparation fee per location is $105,740. (English Direct at 3.) BellSouth's collocation agreements on file with the Commission reflect that MGC has purchased 100 square feet per central office. This yields an average cost of $1057.40 per square foot for space preparation.

There should be an ability for CLEC to construct a wire cage, at the CLEC's option. Therefore a CLEC should not be limited to the gypsum (plywood) as proposed by BellSouth. The same rates should apply to either the wire cage or gypsum (plywood).

The Staff concludes that a reasonable specific charge of $100 per square foot should be adopted for space preparation. This is also in line with BellSouth's $45 per square foot charge for space enclosure construction.

The Staff's proposed $100 per square foot space preparation charge must be correlated to the actual enclosed collocation space. When a CLEC submits an application for physical collocation,

the initial minimum amount of space should be 100 square feet, and extra space should be calculated in 50-square foot increments.

### D. Rates for Access to Poles, Ducts, Conduits, and Rights-of-Way

The parties recognized that the FCC has established formulas for computing the appropriate rates. The FCC rate for pole rental is currently $4.20. BellSouth submitted information on its computations supporting a higher rate (up to approximately $20), but indicated that it would not seek approval for such a higher rate at this time.

*Discussion*

The Staff recommends that the Commission adopt the current rate according to the FCC formula, which produces a pole rental rate of $4.20.

## IV. CONCLUSION

The Advocate Staff requests the Commission to consider the recommendations contained in this Brief and Proposed Order to establish appropriate rates for the interconnection and unbundling of the telecommunications services of BellSouth in Georgia. The Staff's recommendations are based upon careful review of which adjustments to the cost studies are the most appropriate. Adoption of these recommendations as a whole will result in a balanced set of rates and charges for BellSouth's interconnection and unbundled network elements.

# ATTACHMENT 4

BELLSOUTH

BellSouth Telecommunications, Inc.
Suite 4411
675 West Peachtree Street, N.E.
Atlanta, Georgia 30375

404 927-7020
Fax 404 521-2811

Mark L. Feidler
President – Interconnection Services

February 5, 1997

Mr. Marcel Henry
General Manager
Three Ravinia Drive, Fourth Floor
Atlanta, GA 30346

Dear Marcel:

I mentioned this morning at breakfast that I would get back to you today concerning the West Memphis, Arkansas matter outlined in your January 31, 1997 letter. I believe the following information elaborates on our conversation of this morning, and will assist your understanding of BellSouth's position.

BellSouth confirmed yesterday with Marvin Thomason of Southwestern Bell that his company in fact will require an interconnection agreement with MCIm before terminating traffic in West Memphis as you request. By letter faxed on January 27, 1997, to Mr. Wally Schmidt of MCIm, BellSouth provided Mr. Thomason's name as Southwestern's contact. Mr. Thomason also indicated that Southwestern's proposed agreement was presented to counsel for MCIm in Dallas, Texas on Friday, January 31, 1997. The negotiation of such an agreement is of course a matter between Southwestern and MCIm, but until such an agreement is in place or BellSouth is ordered to do so by the Tennessee Regulatory Authority (TRA), it cannot accede to your demand.

Additionally, the partial agreement between BellSouth and MCI does not obligate BellSouth to terminate traffic to another telecommunications company. That agreement provides for "delivery of traffic to be terminated on each party's local network so that customers of either party have the ability to reach customers of the other party." Since a customer in the West Memphis exchange is not a customer of BellSouth, BellSouth is not required to deliver the traffic to a customer in that exchange.

At such time as MCIm and Southwestern enter into an interconnection agreement, or BellSouth is advised that Southwestern has changed its position and will accept MCIm traffic without such an agreement, or the TRA orders BellSouth to accept the terminating traffic, the Partial Agreement sets forth the charges associated with BellSouth providing an intermediary function. Specifically, Section IV provides as follows:

> If either party provides intermediary tandem switching and transport services for the other party's connection of its end user to a local end user of ... an

incumbent independent local exchange telecommunications company ... the party performing the intermediary function will bill a per minute charge of $.005 in Florida and $.002 in all other states ..."

The foregoing does not obligate BellSouth to provide intermediary tandem switching and transport services. Rather, it merely sets forth the rates to be applied when those functions are provided.

Finally, as we discussed, I believe you misunderstood BellSouth's facilities issue which you have incorrectly labeled in your letter as a "spurious claim". BellSouth does not claim to have "insufficient capacity" to handle such traffic. BellSouth has attempted to explain to MCIm that the connection between Southwestern and BellSouth for local traffic between Memphis and West Memphis is at the local tandem level. Interconnection between BellSouth and MCIm is at BellSouth's toll tandem which is geographically separate from the local tandem.

Currently, facilities sufficient to accommodate MCI's terminating local traffic to West Memphis do not exist between the two tandems. These facilities can be installed once MCIm and Southwestern have negotiated an interconnection agreement, assuming such agreement does not ultimately provide for complete bypass of BellSouth for such traffic.

I hope this clarifies BellSouth's thinking in this instance. I also appreciate you, Wally and Daryn taking the time to meet this morning.

Sincerely,

M. L. Fuller

MCI Telecommunications Corporation
MCI Center
Three Ravinia Drive, Fourth Floor
Atlanta, GA 30346
770 280 7840
Fax 770 280 7849

Marcel Henry
General Manager
Southern Financial Operations

January 31, 1997

Mr. Mark L. Feidler
President, InterConnection Services
BellSouth Telecommunications, Inc.
Suite 4511
675 West Peachtree Street, N.E.
Atlanta, Georgia 30375

Dear Mark,

The purpose of this letter is to insist that BellSouth, pursuant to Section IV of the BellSouth-MCIm Agreement dated May 13, 1996, immediately begin providing transit and transport services for traffic from the MCIm switch in Memphis, Tennessee to end users of Southwestern Bell in West Memphis, Arkansas.

The launch of MCIm local services has been delayed due to BellSouth's refusal to provide such transit services in clear violation of the Agreement.

Moreover, traffic to West Memphis is local traffic as that term is defined in Section III.A of the agreement. Local traffic includes the exchange of traffic on BellSouth's Extended Area Service, Extended Calling Service and other toll substitute call routes. The flow of traffic between BellSouth and Southwestern Bell between Memphis and West Memphis is within a BellSouth Extended Calling Service area.

BellSouth has used as an excuse not to provide the transit and transport services requested the fact that Southwestern Bell has stated it will not accept such traffic until MCIm and Southwestern Bell execute an interconnection agreement. However, Southwestern Bell has informed MCI that it is BellSouth who has made this a requirement, not Southwestern Bell.

There is absolutely no justification for BellSouth's refusal to provide transit and transport of MCIm traffic from Memphis to West Memphis and hand off such traffic to Southwestern Bell just as it does its own.

This purported regulatory concern falls on the heels of a spurious claim that there is insufficient capacity at the BellSouth tandem to handle the MCIm traffic. As BellSouth has now admitted the MCIm traffic is merely a substitution of existing BellSouth traffic and that there is no increase in traffic and therefore no capacity problem.