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February 2, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

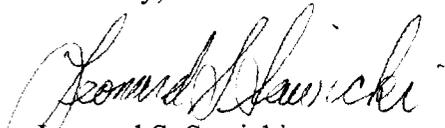
Re: CC Docket No. 95-116: Local Number Portability

Dear Ms. Salas:

Today, Nate Davis, Mary Brown and I met with Commissioner Furchtgott-Roth and Kevin Martin of his staff. The purpose of the meeting was to review MCI's position on cost recovery for local number portability. The attached material was used during the meeting and details the subjects discussed.

Please add this letter and the enclosed copy to the record of this proceeding.

Sincerely,


Leonard S. Sawicki

Attachment

cc: Commissioner Furchtgott-Roth
Mr. Martin

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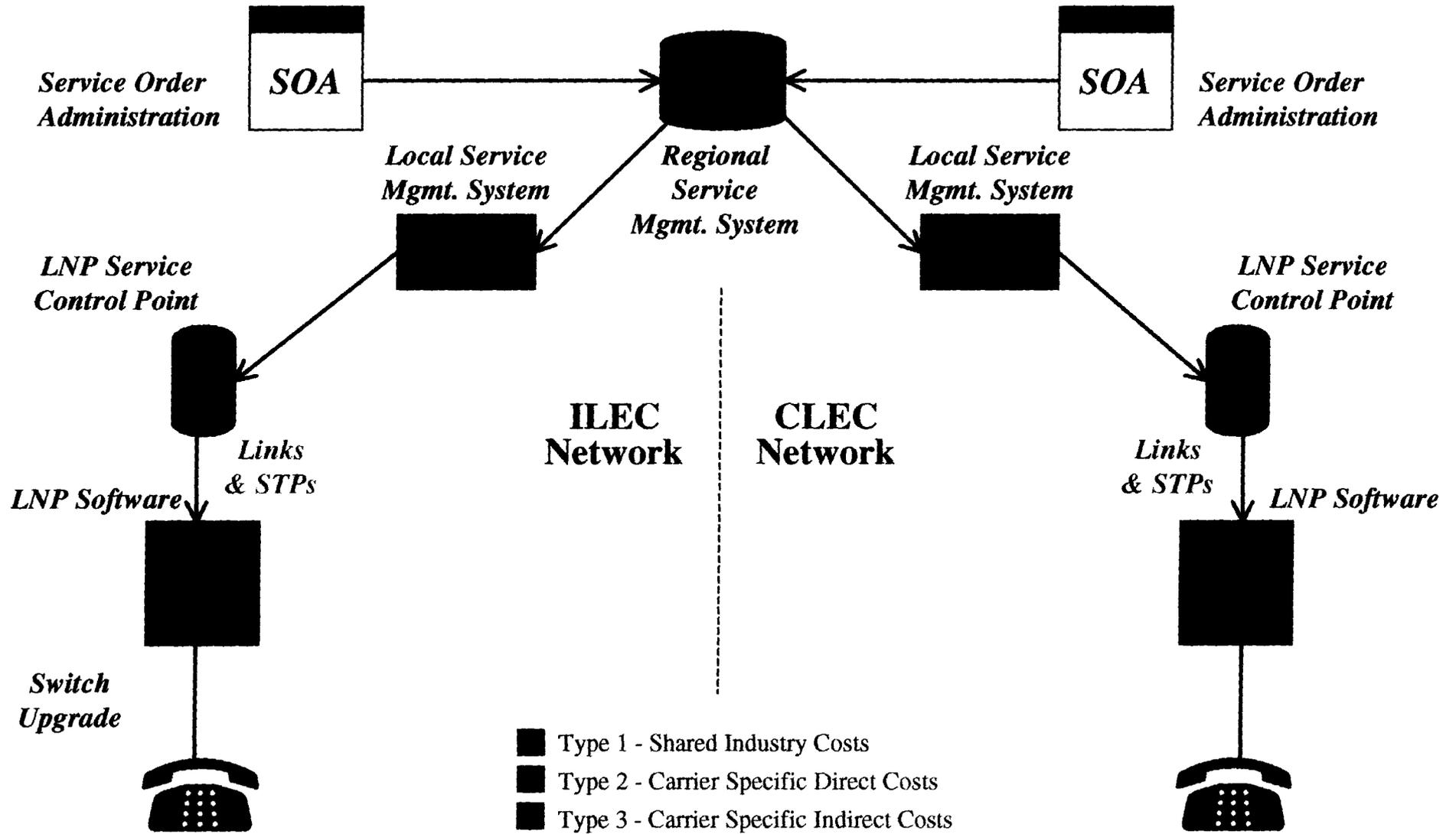
**Local Number Portability
Cost Recovery:
The Competitively Neutral Solution**

MCI

February 2, 1998

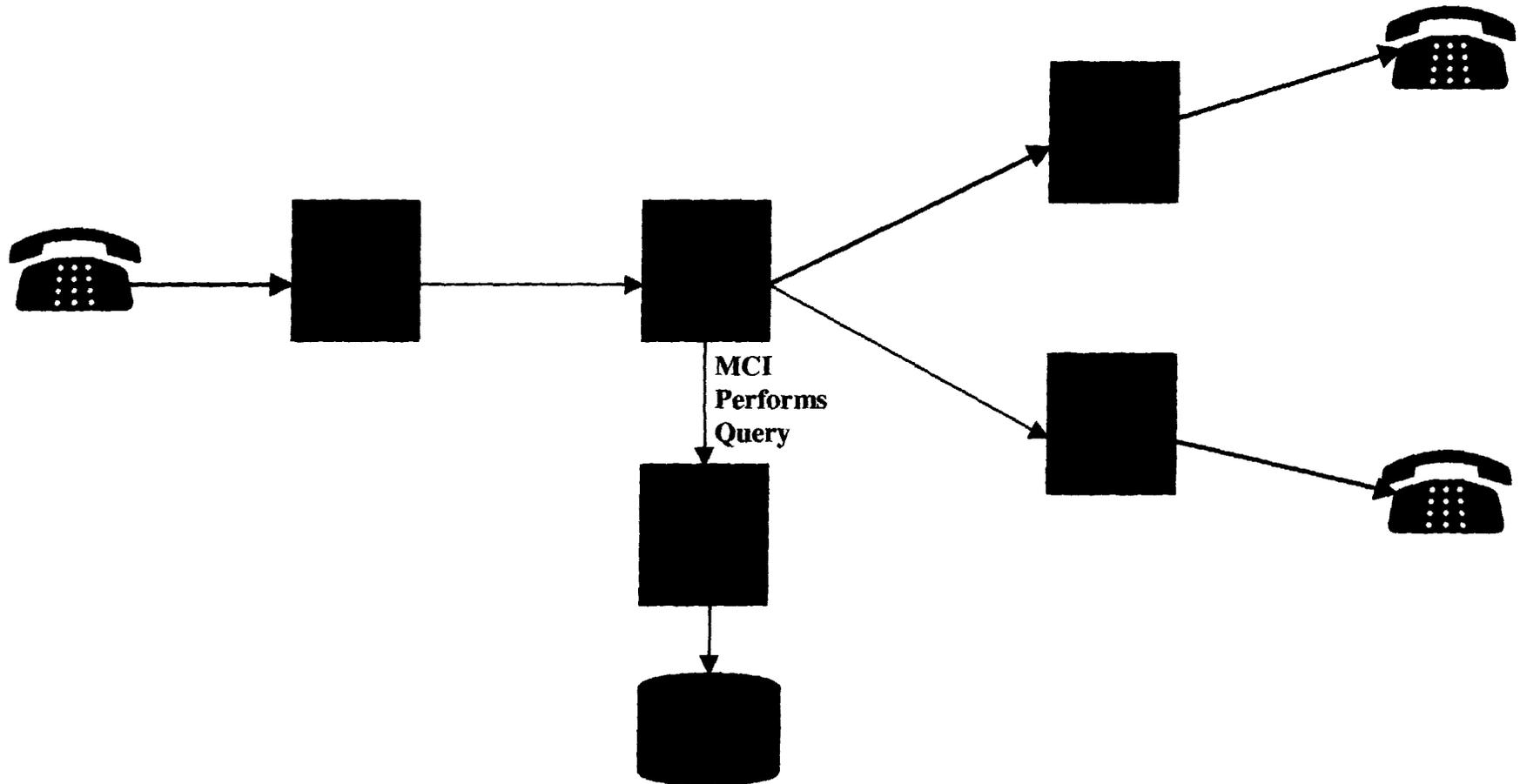


LNP Network Costs Are The Same For All LECs





As N-1 Carrier, MCI Will Not Use ILEC LNP Capabilities To Process Interstate Calls



- N-1 carriers immediately precede terminating carriers. FCC ordered N-1 carriers to ensure that databases are queried to effectuate LNP. (2nd R&O, ¶ 73)
- MCI, as N-1 carrier, will perform its own queries, and thus, will not use or subscribe to ILEC capabilities to perform call routing queries on the originating or terminating end of a long distance call.

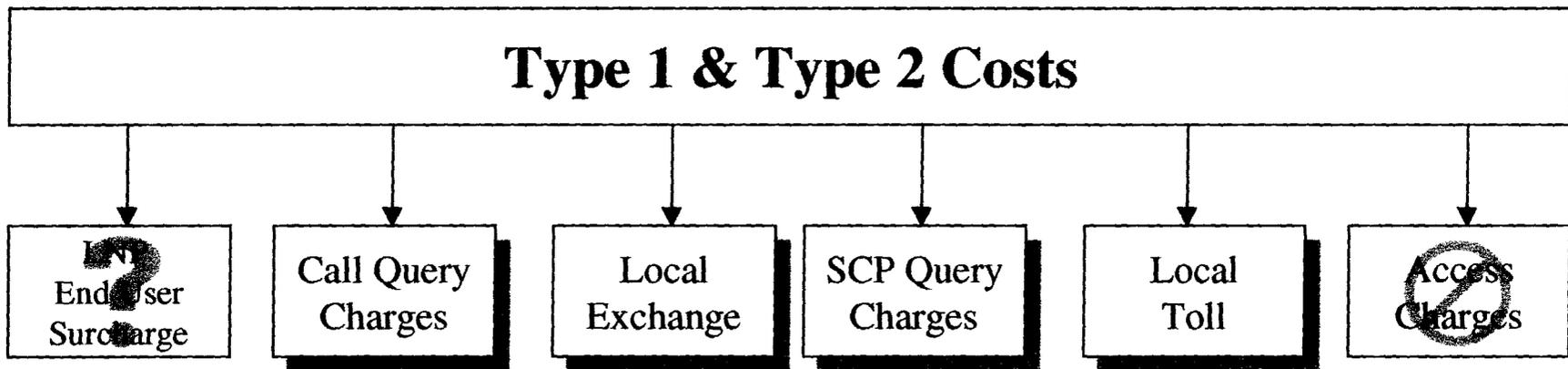


Congress Has Specifically Directed The FCC To Ensure That LNP Costs Are Borne By All Carriers On A Competitively Neutral Basis

- Section 251(e)(2) states: “The cost of establishing . . . number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission.”
- The FCC tentatively concluded that a competitively neutral cost recovery mechanism must:
 - (1) not give one service provider an appreciable, incremental cost advantage over another service provider, when competing for a specific subscriber; and
 - (2) not have a disparate effect on the ability of competing service providers to earn a normal return. (1st R&O, ¶ 210)
- Competitively neutral means every carrier should bear its own LNP costs, and carriers should not be forced to bear one another’s LNP costs.



Competitively Neutral Options For Incumbent LEC Recovery of LNP Costs





Competitively Neutral Recovery

- If state recovery is permitted, the FCC should implement guidelines that states must follow.
 - no carrier(s) allowed any competitive advantage
 - no recovery allowed out of access
 - no double recovery (*i.e.*, OSS or other costs that can be recovered elsewhere)
 - no recovery of non-LNP, carrier-specific (Type 3) costs (*i.e.*, generic network upgrades)
 - compliance with FCC tentative conclusions (1st R&O, ¶ 210)
- Allocation of shared industry costs (Type 1) should be recovered the same as, and along with Type 2 costs.
 - Type 3 costs should be excluded, per FCC tentative conclusion
 - No recovery through increased charges to other carriers for bottleneck services, *e.g.*, access charges, interconnection charges, etc.