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April 17, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

Re: Ex parte, CC Docket No. 97-137¹ Application by Ameritech Michigan Pursuant to
Section 271 of the Telecommunications Act of 1996 to Provide In-Region, interLATA
Service in Michigan; Public Notice, DA 98-139 (rel. January 17, 1998)

Dear Ms. Roman Salas:

Please be advised that on April 16, 1998, Joyce Davidson, Cindy Rhodes, Steve Garavito, and the undersigned met with Michael Pryor, Eric Bash, Ed Krachmer, Anu Seam, and William Bailey of the Commission's Common Carrier Bureau staff in connection with the above-referenced proceedings. The purpose of the meeting was to discuss AT&T's views as they relate to Bell Operating Company compliance with the Communications Act's Section 271 "checklist" requirements for reciprocal compensation. The attached documents outline AT&T's position in this matter.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

Frank Simone

ATTACHMENTS

cc: M. Pryor
E. Bash
E. Krachmer
A. Seam
W. Bailey

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Checklist Items (ii), (vi) and (xiii)
Intercarrier Compensation (Access and Reciprocal Compensation)

RECORDING ISSUES – UNBUNDLED LOCAL SWITCHING

Statutory Language

Section 251(c)(3)

An incumbent LEC has the “duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of [section 251] . . . and section 252.”

Section 271(c)(2)(B)(ii)

A BOC must provide to other telecommunications carriers “[n]ondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(3) and 252(d)(1).”

Section 271(c)(2)(B)(vi)

A BOC must provide to other telecommunications carriers “[l]ocal switching unbundled from transport, local loop transmission, or other services.”

Section 3(29)

The term “network element” . . . includes features, functions, and capabilities that are provided by means of such facility or equipment, including . . . information sufficient for billing and collection or used in the transmission, routing, or other provision of a telecommunications service. (Emphasis added.)

FCC Decisions

An incumbent LEC shall provide a requesting telecommunications carrier access to an unbundled network element, along with all of the unbundled network element's features, functions, and capabilities, in a manner that allows the telecommunications carrier to provide any telecommunications service that can be offered by means of that network element. 47 C.F.R. §51.307(c)(emphasis added).

[W]here new entrants purchase access to unbundled network elements to provide exchange access service . . . the new entrants may assess exchange access charges to IXCs originating or terminating toll calls on those elements. *Local Competition First Report and Order* ¶ 363 n.772.

A telecommunications carrier purchasing access to an unbundled network element may use such network element to provide exchange access services to itself in order to provide interexchange services to subscribers. 47 C.F.R. § 51.309(b).

Ameritech improperly limits [contrary to § 251(c)(3) and the FCC's rules] the ability of competitors to use local switching to provide exchange access. . . . The Commission's rules make clear that competing LECs may use unbundled network elements to provide exchange access service, as well as local exchange service [citing 47 C.F.R. §§ 51.307(c), 51.309(b)]. *Ameritech Michigan Order* ¶ 326.

See also, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket Nos. 96-98 et al., Third Report and Order on Reconsideration and Further Notice of Proposed Rulemaking, FCC 97-295 (rel. Aug. 18, 1997) ("*Third Order on Reconsideration*") ¶ 38 ("where a requesting carrier provides interstate exchange access services to customers, to whom it also provides local exchange service, the requesting carrier is entitled to assess originating and terminating access charges to interexchange carriers, and it is not obligated to pay access charges to the incumbent LEC."); *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket Nos. 96-98 et al., Order on Reconsideration, FCC 96-394 (rel. Sept. 27, 1996) ("*Order on Reconsideration*") ¶ 11.

Section 251(c)(3) permits competing carriers to purchase unbundled network elements for the purpose of offering exchange access services. *McCain Letter* at vi-2.

BOC Policy Commitments Needed to Meet the Checklist

The BOC must agree that:

- CLECs providing local service, whether through use of unbundled network elements or their own facilities, are entitled to collect interstate and intrastate terminating and originating access revenues from IXCs.
- It has a duty, as part of its provision of unbundled local switching, to provide CLECs information concerning originating and terminating usage that permits the CLEC to bill intrastate and interstate originating and terminating access charges to IXCs
- To the extent the BOC is providing a portion of the access to the IXC, it will enter into meet point billing arrangements with the CLEC in accordance with accepted industry practices (*i.e.*, MECAB).

BOC Operational Requirements Needed to Meet the Checklist

The BOC must show that:

- It has negotiated meet point billing arrangements with all CLECs who request such arrangements for the joint provision of exchange access services to IXCs in accordance with MECAB guidelines.
- As part of those meet point billing arrangements, the BOC and the CLECs have established meet points.
- The BOC has demonstrated the ability to provide each CLEC with whom it has a meet point billing arrangement, the appropriate usage recordings to enable the CLEC to accurately and timely bill IXCs for both originating and terminating access charges.
- Such usage recordings are provided daily in mechanized format, specifically EMR (Exchange Message Record) or EMI Category 11 records that can be processed in a CABS billing system.
- The BOC has established and has implemented coordination and verification processes for CLECs with whom it has multiple-bill meet point billing arrangements.
- In the absence of the ability to provide terminating access recordings, the BOC has developed and implemented an interim method that would permit CLECs to bill interexchange carriers for terminating access through use of a mutually developed factor based upon the ratio of originating to terminating minutes of use.

- ◇ Such factor would be based on the number of originating and terminating minutes from a mutually agreeable sample of local numbers.
- ◇ The sampling would be repeated no less than every three months and the factor would be adjusted accordingly.
- ◇ The BOC could use this interim method for no more than 12 months, at which point the BOC would be required to provide daily mechanized usage recordings to CLECs reflecting actual access detail.

RECORDING ISSUES - RECIPROCAL COMPENSATION

Statutory Language

Section 271(c)(2)(B)(xiii)

A BOC must provide to other telecommunications carriers “reciprocal compensation arrangements in accordance with the requirements of section 252(d)(2).”

Section 252(d)(2)

An incumbent LEC’s terms and conditions for reciprocal compensation shall not be deemed in compliance with the “just and reasonable” requirement of § 251(b)(5) unless:

“(i) such terms and conditions provide for the mutual and reciprocal recovery by each carrier of costs associated with the transport and termination on each carrier’s network facilities of calls that originate on the network facilities of the other carrier; and

(ii) such terms and conditions determine such costs on the basis of a reasonable approximation of the additional costs of terminating such calls.”

Section 252(D)(2)(B)(i) makes clear that the Act does not “preclude arrangements that afford the mutual recovery of costs through the offsetting of reciprocal obligations, including arrangements that waive mutual recovery (such as bill-and-keep arrangements).”

FCC Decisions/Interpretations

“Transport and termination of local traffic are different services than access service for long distance telecommunications. . . . The Act preserves the legal distinctions between charges for transport and termination of local traffic and interstate and intrastate charges for terminating long-distance traffic.” *Local Competition First Report and Order* ¶ 1033.

“[R]eciprocal compensation is intended for a situation in which two carriers collaborate to complete a local call.” *Local Competition First Report and Order* ¶ 1034.

Except for traffic to or from a CMRS network, “state commissions have the authority to determine what geographic areas should be considered “local areas” for the purpose of applying reciprocal compensation obligations.” “[T]raffic to or from a CMRS network that originates or terminates within the same MTA is subject to [reciprocal compensation].” *Local Competition First Report and Order* ¶¶ 1035, 1036.

“[S]tate commissions may impose bill-and-keep arrangements if neither carrier has rebutted the presumption of symmetrical rates and if the volume of terminating traffic that originates on one network and terminates on another network is approximately equal to the volume of terminating traffic flowing in the opposite direction, and is expected to remain so.” *Local Competition First Report and Order* ¶ 1111.

In analyzing compliance with this checklist item, the Bureau staff believes the FCC should:

- Consider whether reciprocal compensation arrangements are in place; and
- Require compliance by the BOC with such arrangements, including making all required payments.

McCain Letter at xiii-1.

Staff is considering “whether a BOC meets this checklist item when there are disputes between the BOC and competing carriers over whether the BOC is obligated to pay reciprocal compensation for certain types of traffic, or over measurement of traffic eligible for reciprocal compensation.” *Id.*

BOC Policy Commitments Needed to Meet the Checklist

The BOC must agree that:

- CLECs terminating BOC local calls, whether using unbundled network elements or their own facilities, are entitled to receive transport and termination charges.

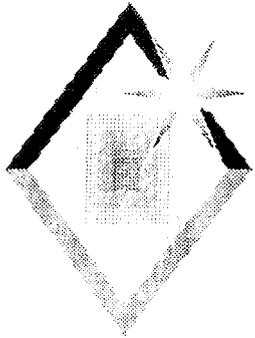
- It has a duty, as part of its provision of unbundled local switching, to provide CLECs information concerning terminating usage that permits the CLEC to bill local transport and termination charges, except where the BOC and the CLEC have mutually agreed to bill-and-keep. Note: The RBOCs, including BellSouth, have claimed that a bill-and-keep *requirement* would be an unconstitutional “taking” (*Local Competition First Report and Order* ¶ 1105).

BOC Operational Requirements Needed to Meet the Checklist

The BOC must show that:

- For those CLECs that have not agreed to a bill-and-keep arrangement, the BOC has developed a method of providing terminating local usage information to CLECs using the BOC’s unbundled network elements that enables CLECs to bill accurately for reciprocal compensation, and has implemented and is paying reciprocal compensation in accordance with such method. Such a method should be one of the following:
 - BOC electronic provision of a Daily Usage File that associates the originating carrier with precise usage data for each called number. (Note: No BOC has such capability today.)
 - ◇ Such usage data must be provided in accordance with mutually defined processes, which would require, among other things:
 - ❖ BOC records usage terminating to each CLEC including the called number and that it “belongs” to that CLEC
 - ❖ Usage is separated by terminating CLEC and the originating carrier is identified.
 - ❖ Records are transmitted daily to the CLEC in an industry standard electronic format such as EMI.
 - BOC uses originating local usage records and re-sorts them into terminating records by terminating CLEC and performs a further sort of those records into originating telephone numbers by originating carrier.
 - An interim method that would permit CLECs to bill originating carriers for local transport and termination through use of a mutually developed factor based upon the ratio of originating to terminating local minutes of use.
 - ◇ Such factor would be based on the number of originating and terminating local minutes from a mutually agreeable sample of local numbers.

- ◇ The sampling would be repeated no less than every three months and the factor would be adjusted accordingly.
 - ◇ The BOC could use this interim method for no more than 12 months, at which point the BOC would be required to provide Daily Usage Files to CLECs reflecting actual usage detail.
- For those CLECs that have agreed to a bill-and-keep arrangement, the BOC has implemented the agreement and will enter identical arrangements with any requesting CLEC.



Toll Call to an IXC POP

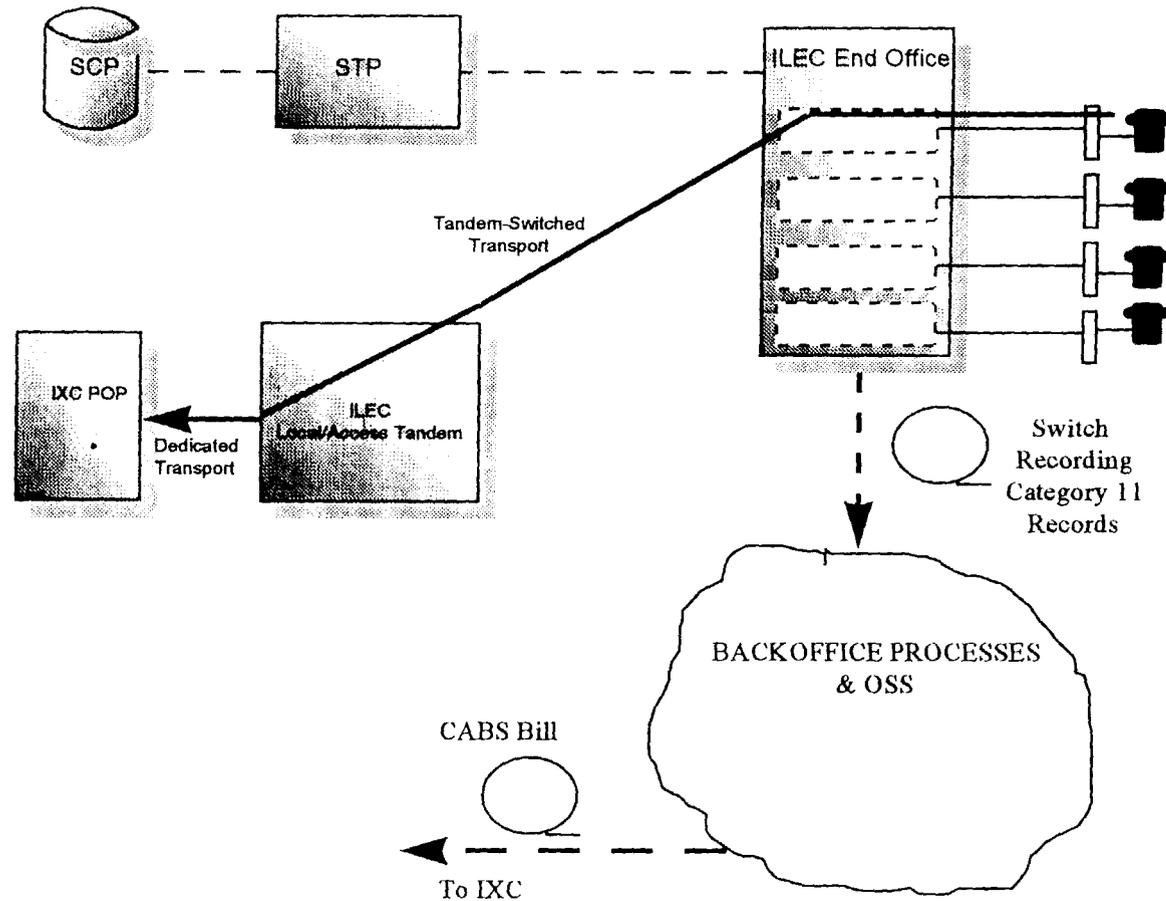
TODAY - without MPB

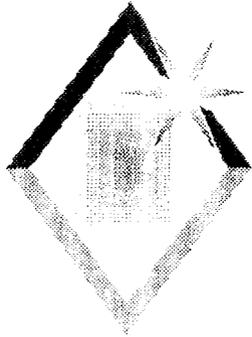
Recording

ILEC creates Category 11 call detail record which is translated into a CABS bill rendered to the IXC.

Intercompany Compensation

ILEC bills the IXC for originating switched access charges.





Toll Call to an IXC POP

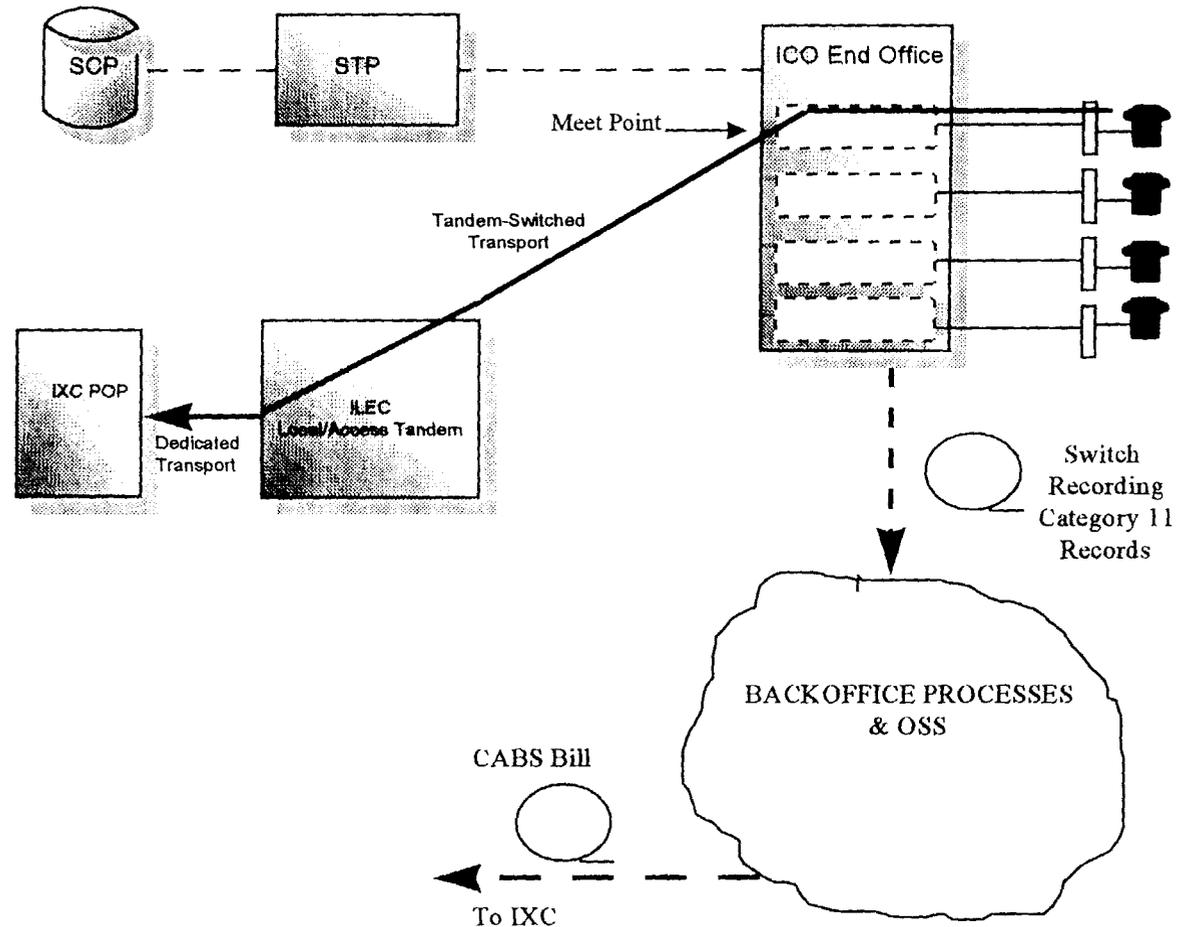
TODAY - with MPB

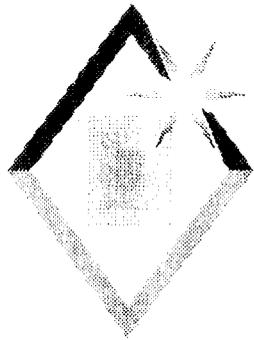
Recording

In accordance with MECAB, ICO creates Category 11 call detail record from which it bills its share of the access. ICO also creates a summary bill for the ILEC to bill its share of the access.

Intercompany Compensation

ICO bills the IXC for originating CCL and end office switched access charges. ILEC bills IXC for transport and tandem.





Toll Call to an IXC POP

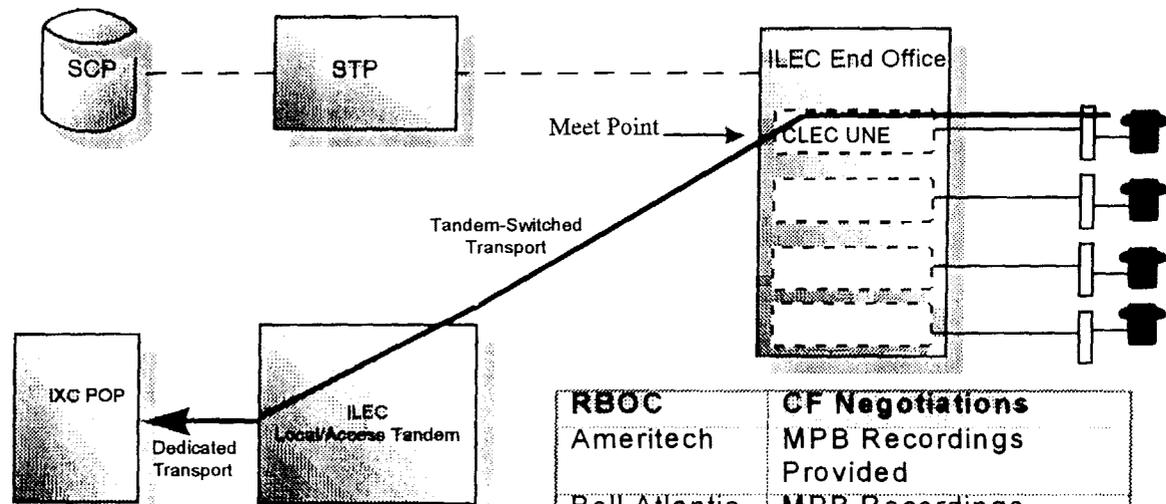
UNE with MPB

Recording

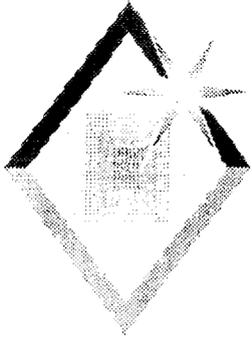
ILEC provides AT&T Category 10 end user records and Category 11 originating access records including whether IXC transport is direct or common. ILEC provides itself the summary record.

Intercompany Compensation

CLEC bills the IXC for originating switched access from the end user to the meet point. ILEC bills the IXC for applicable access transport and tandem.



RBOC	CF Negotiations
Ameritech	MPB Recordings Provided
Bell Atlantic South	MPB Recordings Provided
Bell Atlantic North	CLEC bills IXC and sends BA-N its share
BellSouth	Interstate access only, but MPB not agreed to
Pacific	MPB Recordings Provided
SWBT	SWBT bills and keeps access, short term, Then MPB, long term
US West	?



Toll Call from an IXC POP

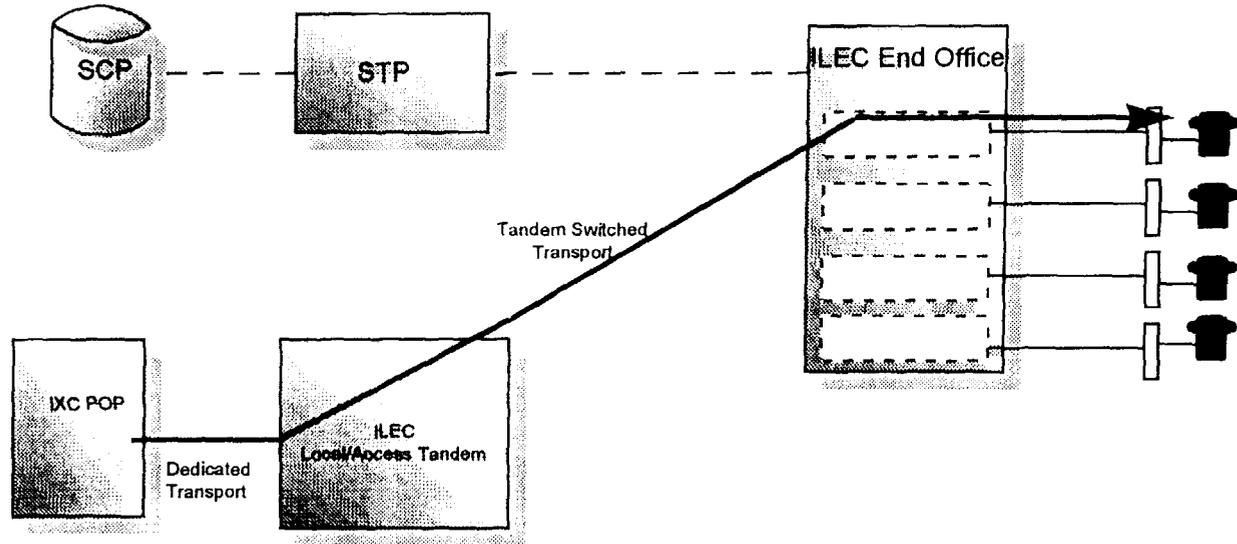
TODAY without MPB

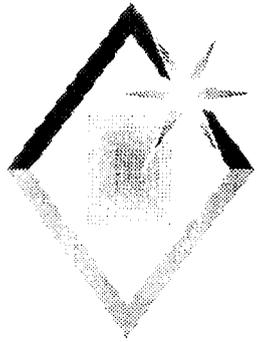
Recording

ILEC records terminating access usage from each IXC at the tandem in Category 11 EMR format. CIC indicates IXC. End office elements, LS2, PICC, etc. billed at MOUs recorded at the tandem.

Intercompany Compensation

ILEC bills IXC for terminating switched access from the IXC to the end user.





Toll Call from an IXC POP

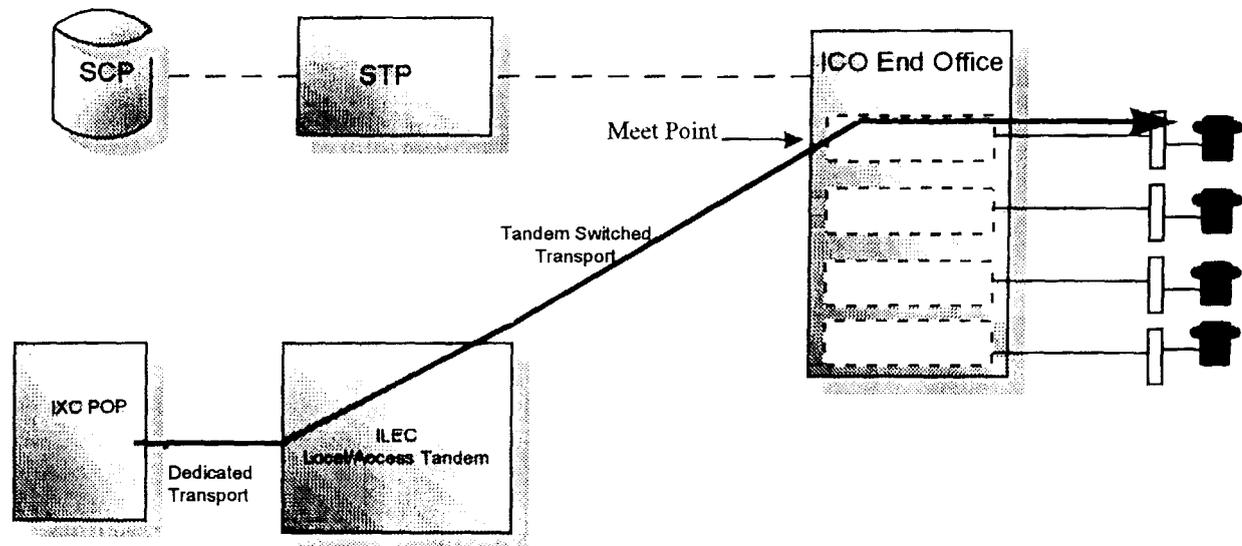
TODAY with MPB

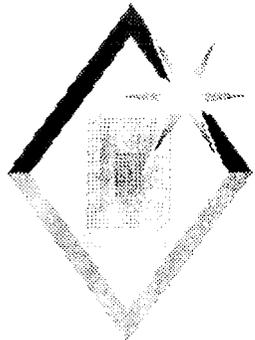
Recording

ILEC records terminating access usage at the tandem in Category 11 EMR format by IXC and provides summary record to ICO.

Intercompany Compensation

ICO bills IXC for terminating switched access from the meet point to the end user. ILEC bills the IXC for the appropriate transport and tandem.



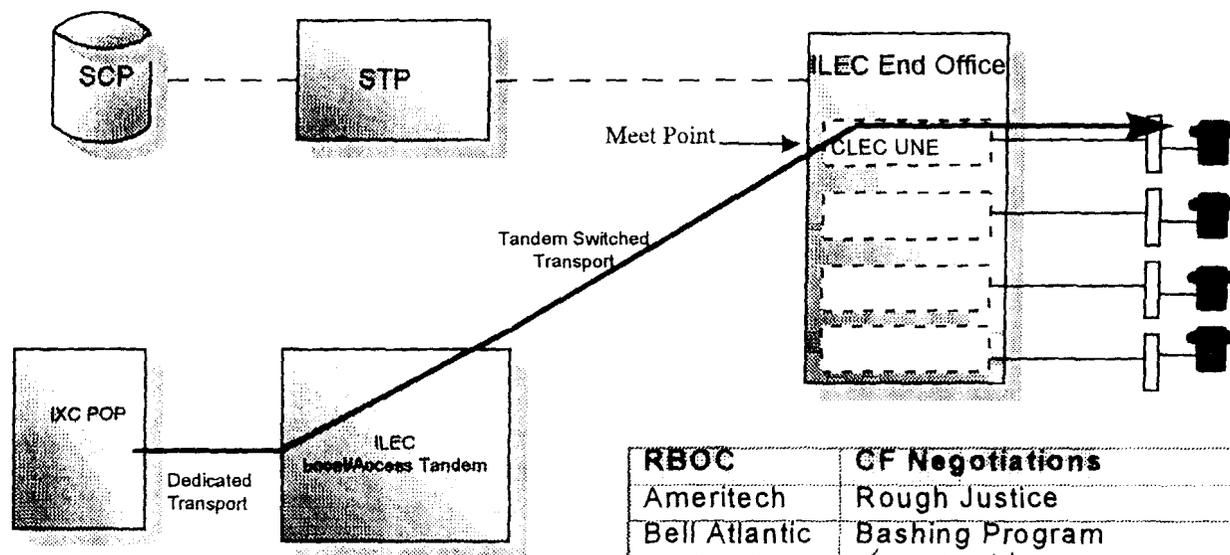


Toll Call from an IXC POP

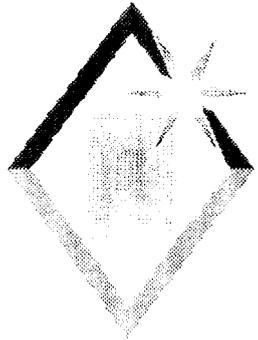
UNE

Recording
ILEC provides CLEC its terminating access usage recorded at the tandem from each IXC Category 11 EMR format .

Intercompany Compensation
CLEC bills IXC for terminating switched access from the meet point to the end user. ILEC bills the IXC for the appropriate transport and tandem.

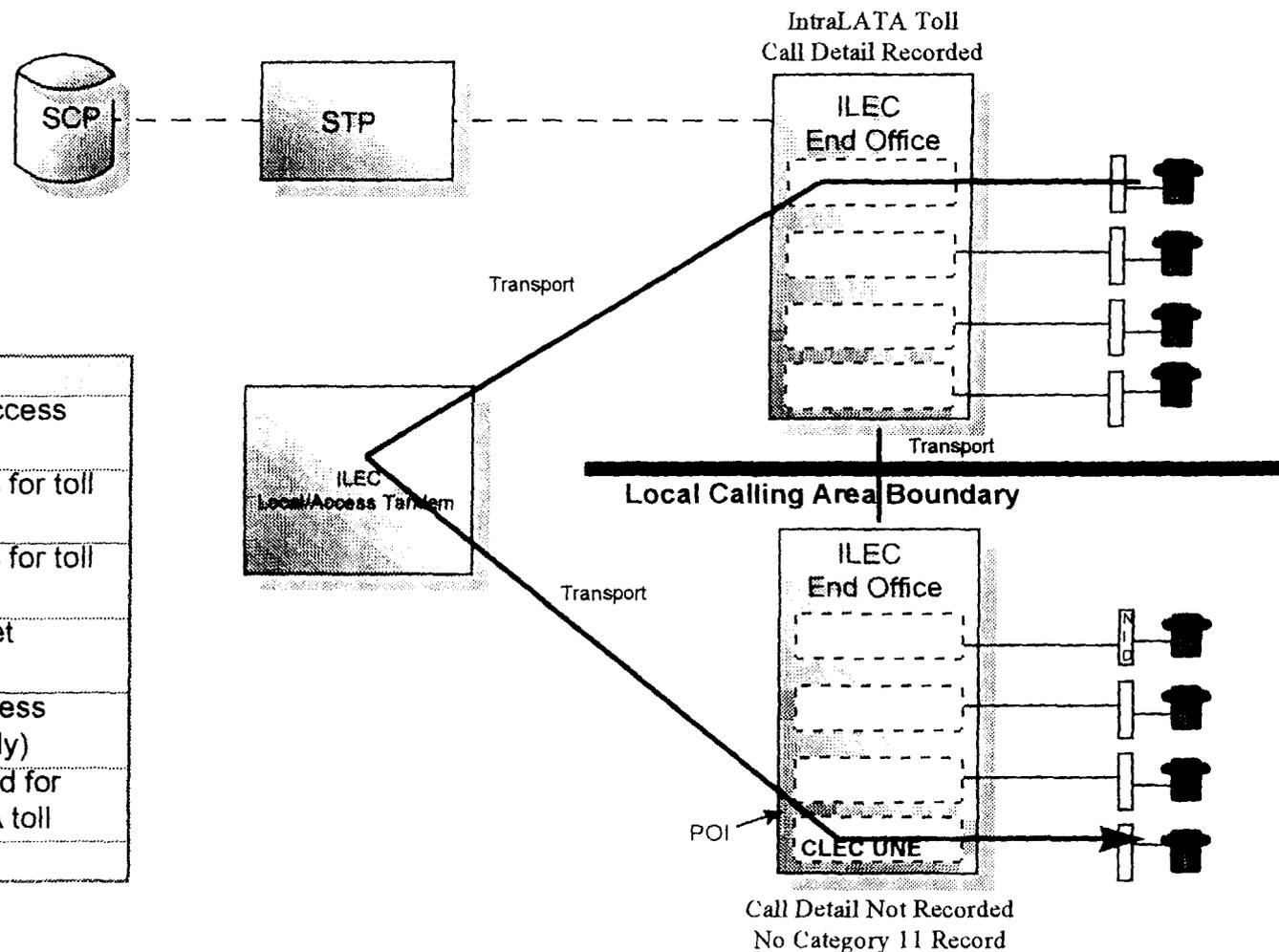


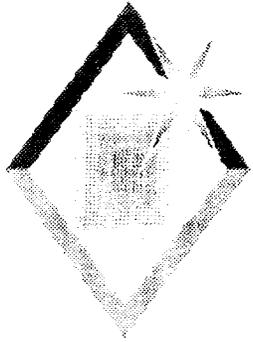
RBOC	CF Negotiations
Ameritech	Rough Justice
Bell Atlantic South	Bashing Program <i>TESTED IN PA SUCCESSFULLY</i>
Bell Atlantic North	Bashing Program, CLEC will bill IXC and send BA-N its share
BellSouth	Interstate only, status undetermined
Pacific	MPB records?
SWBT	SWBT bills and keeps access, short term. MPB, long term. <i>AVIL. BY 3/98</i>
US West	?



IntraLATA Toll Call (Not 2-PIC)

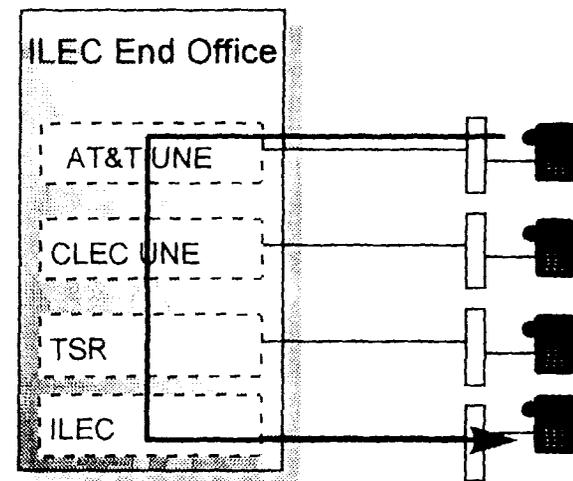
RBOC	CF Negotiations
Ameritech	Rough Justice for Access Charge usage
Bell Atlantic South	Originating LEC bills for toll and keeps revenue
Bell Atlantic North	Originating LEC bills for toll and keeps revenue
BellSouth	UNE CLECs don't get access revenues
Pacific	CLEC bills ILEC Access Charges (theoretically)
SWBT	UNE may not be used for non-2-PIC intraLATA toll
US West	?

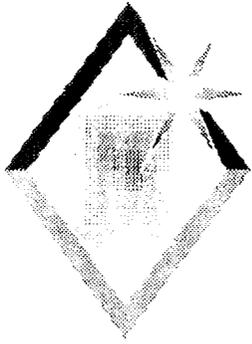




Local Intraswitch Call

RBOC	CF Negotiations
Ameritech	No reciprocal compensation
Bell Atlantic-S	No reciprocal compensation
Bell Atlantic-N	No reciprocal compensation
BellSouth	No reciprocal compensation
Pacific	No reciprocal compensation
SWBT	No reciprocal compensation
US West	?





Local Interswitch Call

RBOC	CF Negotiations
Ameritech	Rough Justice
Bell Atlantic South	Interim Bill & Keep
Bell Atlantic North	Originator pays to ILEC CLEC does not bill
BellSouth	Only FBNs entitled to reciprocal compensation
Pacific	Bill & Keep
SWBT	Bill & Keep-short term
US West	?

