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Susanne Guyer  
Executive Director,  
Federal Regulatory Affairs

CC Docket #96-98  
[Redacted]



EX PARTE OR LATE FILED

July 31, 1998

**Ex Parte**

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

**Re: Docket CCB/CPD 97-30 Reciprocal Compensation**

Dear Ms. Salas:

Please enter the attached letter to Chairman William Kennard into the record for the above-referenced proceeding.

In accordance with Section 1.1206(a)(1) of the Commission's rules, an original and one copy of this notice are being submitted to the Secretary.

Sincerely,

Susanne Guyer

Attachment

cc:	H. Furchtgott-Roth	J. Casserly	K. Martin
	M. Powell	T. Preiss	D. Stockdale
	S. Ness	K. Dixon	J. Jackson
	G. Tristani	J. Schlichting	T. Power
	K. Brown	P. Gallant	

[Handwritten signature]



July 31, 1998

By Hand

The Honorable William E. Kennard  
Chairman  
Federal Communications Commission  
1919 M Street, NW – Room 814  
Washington, D.C. 20554

Re: Reciprocal Compensation for Internet Traffic

Dear Chairman Kennard:

The responses to our July 1 letter do little to try to rebut our key point – that the payment of reciprocal compensation for Internet-bound calls is distorting the market, undermining competition in residential telephony, and discouraging the deployment of high-speed networks.

Instead, the responses – filed by Worldcom/MCI and Comptel/ALTS – devote the bulk of their effort to trying to distract attention from the real issue. For example, they incorrectly suggest that Bell Atlantic agreed that Internet traffic is local and subject to reciprocal compensation, and that an order by the Commission confirming that Internet calls are not local under its own prior orders would intrude on the role assigned to the states in the 1996 Act.

We respond to each of their points below.

Reciprocal compensation discourages competition and investment. As an initial matter, the responses do not deny that Internet reciprocal compensation actually pays carriers not to invest to provide competing service to residential or other dial-up users of the Internet. Nor could they. As one analyst puts it, it is indisputable that paying reciprocal compensation for this traffic has the “perverse effect of turning customers from assets to liabilities.”

Instead, they say that reciprocal compensation does provide an incentive to “compete” to deliver traffic from originating carriers to Internet service providers. This, of course, is precisely our point. Once a carrier makes the minimum investment in routers or other equipment needed to deliver this one-way traffic – which can be next to

nothing if it or an affiliate is the Internet service provider – reciprocal compensation pays the carrier not to invest in facilities to provide competing two-way voice and data services to residential or small business customers. And the so-called competition to serve the Internet service providers often consists of little more than agreeing to share the reciprocal compensation booty.

Reciprocal compensation distorts the market. The responses also do not deny that the lure of free cash is causing Internet service providers to declare themselves “carriers” – without providing local dial tone service to anyone – just to get reciprocal compensation. Nor do they deny it has led these and other carriers to misrepresent the identity of the calling area where the traffic is delivered in order to qualify for reciprocal compensation – locking up millions of unused numbers in the process

Instead, they argue the remedy lies elsewhere because Bell Atlantic can challenge the state certifications of these so-called carriers or file complaints with state commissions. Of course, these same parties would be the first to cry foul if Bell Atlantic did so. And they miss the point in any event. The point is that paying reciprocal compensation on Internet traffic distorts the market and encourages economically irrational behavior. These are merely some of the current examples, and there will be others if the underlying problem is not fixed.

Other carriers can recover legitimate costs to the same extent as incumbents. The responses argue that at least some competing carriers incur legitimate costs in order to deliver Internet traffic that they need to recover. But this completely ignores the fact that these carriers already can recover their costs in exactly the same way and to exactly the same extent as the incumbents – through the intrastate business line rates they charge to Internet service providers.

Despite this fact, the responses try to justify reciprocal compensation on the theory that incumbents may save money if they don't have to upgrade their end office switches serving Internet service providers. But this looks at only part of the picture. It ignores the fact that any supposed savings (presuming any were to materialize) are offset by the enormous expenditures required for added trunking and switch upgrades in order to hand-off traffic to other carriers for delivery. In the case of Bell Atlantic alone, for example, we will spend almost \$300 million during 1998, and expenditures are projected to nearly double in 1999. And, given that the ratio of traffic we hand off to other carriers is approaching ten times what they send to us, these expenditures obviously are being driven in large part by Internet traffic.

Finally, the responses say that Internet reciprocal compensation helps carriers raise capital. But the vast majority of reciprocal compensation is paid to companies like Worldcom/MCI and AT&T/TCG that hardly need any help. In any event, analysts long have recognized that Internet reciprocal compensation is a temporary aberration that cannot last.

Bell Atlantic did not agree that Internet calls are local and subject to reciprocal compensation. In an effort to distract attention from the merits, the responses devote most of their efforts to trying to conjure phantom procedural hurdles to forestall Commission action.

For example, the responses claim that incumbents agreed during negotiations that Internet calls properly are classified as local and subject to reciprocal compensation. In Bell Atlantic's case, this is flatly not true. On the contrary, our consistent and firmly stated position since the issue first was raised in contract negotiations – in reliance on this Commission's prior orders – has been that Internet traffic is interstate and interexchange, and is not subject to reciprocal compensation.

As a result, none of the interconnection agreements signed by Bell Atlantic say that Internet traffic is subject to reciprocal compensation. Instead, those contracts – illustrative examples of which are attached – expressly provide that only traffic that is local on an end-to-end basis is subject to reciprocal compensation. And after competing carriers began to argue to state commissions that Internet calls should be treated as local, Bell Atlantic took added steps to protect itself by including provisions in its agreements expressly stating its view that Internet calls are not local.

The responses also are wrong that Bell Atlantic implicitly conceded in the local interconnection proceeding that Internet calls are subject to reciprocal compensation. It supposedly did so, the story goes, by citing Internet calls among other types of one-way traffic that new entrants potentially could target if reciprocal compensation rates for transport and termination of calls were set too high.

At the time, however, the long distance carriers were arguing that the reciprocal compensation provisions applied to interexchange calls – which include Internet calls – as well as to local calls. While Bell Atlantic disagreed, the issue had not yet been decided. In its order in that proceeding, however, the Commission rejected the long distance carriers' argument, held that reciprocal compensation applies only to local traffic, and was upheld by the Eighth Circuit.

Finally, the responses are off base by suggesting that the problem is of our own making because we did not agree to bill and keep. Adopting bill and keep would have produced the same problem in reverse. It would have created an incentive for other carriers to sign up customers with large amounts of originating local calls, such as outgoing local calls from office complexes, and hand off the calls to incumbents without paying any compensation to terminate the calls.

An order by this Commission will not intrude on a role assigned to the states. After themselves urging the Commission to address the Internet reciprocal compensation issue for the last year, the responses here do an about-face. They now say that, by urging it to act promptly on the same issue, we are asking the Commission to intrude on a role

assigned to the states by the 1996 Act, or to override arbitration results by re-interpreting individual contracts.

Again, they are wrong. We are not asking this Commission to interpret specific contracts, nor are we asking it to intrude on a legitimate role of the states. We simply are asking the Commission to confirm what it said in its own previous orders – which no party suggests it lacked authority to issue – by once again declaring that Internet traffic is interstate and interexchange, and, therefore, is not subject to reciprocal compensation under the Act as the Commission previously interpreted it.

Many of the state orders (excerpts of which are attached) said they were addressing the issue only because this Commission has not yet done so, and made it clear that their orders are subject to correction once this Commission does act. And, as we pointed out in our previous letter, the state commissions have based their decision on a mistaken interpretation of this Commission's prior orders. While the Commission did exempt Internet and other enhanced service providers from paying interstate access charges, it did not, and could not, change the underlying nature of the end-to-end communication, which remains interstate and interexchange.

Moreover, under the terms of the Act, parties voluntarily may agree to terms that differ from the requirements of the Act, and it is possible that – unlike Bell Atlantic – some carriers expressly and unambiguously may have agreed that Internet traffic would be subject to reciprocal compensation under their individual interconnection agreements. The task of determining whether other carriers did so remains one for the state commissions.

The Commission has authority to issue an order. Finally, the responses claim that the Commission can no longer act because ALTS withdrew its year old letter asking it to address the Internet reciprocal compensation issue. This is nonsense.

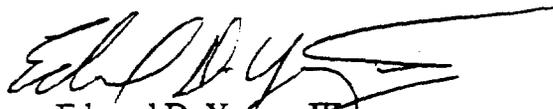
There is no rule that says the Commission can act only if ALTS wants it to. The simple fact is that, after ALTS submitted its letter, the Commission issued a public notice asking for comments on the issue. As a result, all interested parties have had an opportunity to be heard, the Commission has a complete record, and nothing more is required to issue a declaratory ruling resolving the issue. What's more, the Commission's own rules (47 C.F.R. § 1.2) expressly allow it to issue a declaratory ruling on its motion, and it should do so based on the record before it.

\* \* \* \*

For all these reasons, and the reasons laid out in our previous letter, the Commission should issue an order immediately to again confirm that Internet traffic is interstate and interexchange, not local.

For convenience, we have attached proposed language to be included in an ordering clause.

Sincerely,



Edward D. Young, III  
Senior Vice President &  
Deputy General Counsel



Thomas J. Tauke  
Senior Vice President  
Government Relations

cc: Commissioner Furtchgott-Roth  
Commissioner Ness  
Commissioner Powell  
Commissioner Tristiani  
Kathryn C. Brown

# ATTACHMENT 1

## Proposed Ordering Clauses

I. Pursuant to sections 4(i), 4(j), 201, 251(b)(5), (g), and (i), and 303(r) of the Communications Act of 1934, as amended, it is hereby ORDERED that this declaratory ruling is adopted, to be effective immediately upon release.

II. By adoption of this Order, we confirm, as we have held in previous orders, that calls bound for the Internet are properly classified as interexchange and interstate in nature, not local. As such, these calls are not subject to the reciprocal compensation obligations imposed by section 251(b)(5) of the Act when handed off by a carrier serving the customer originating the call to another carrier that terminates the call to an Internet service provider.

III. By adoption of this Order, we also clarify that, while our previous orders exempting Internet and other information service providers from the payment of interstate exchange access charges allowed those providers to purchase services from a local exchange carrier's intrastate tariffs, our orders did not, and could not, change the nature of the end-to-end communication that is involved with Internet-bound calls. Those calls remain interexchange and interstate in nature.

IV. By adoption of this Order, we do not, however, prejudge whether any individual carriers may have expressly and unambiguously agreed to go beyond the requirements of the Act and to pay reciprocal compensation on Internet-bound calls, as they may do under section 252(a)(1). That determination is best made by state commissions based on their review of specific interconnection agreements.

## **ATTACHMENT 2**

### Excerpts From State Orders

1. “[T]he Commission agrees that a final determination on this matter rests with the FCC. . . . If the FCC should change its position, then the Commission expects interconnection agreements to be applied in accordance with the FCC’s new policy. Moreover, the parties will be directed to bring the FCC’s final determination to the Commission’s attention in order to allow it to consider whether any further action is appropriate.” MCI Telecommunications Corporation, Case No. 97-1210-T-PC at 29-30 (W.Va. PSC Jan. 13, 1998).
2. “Moreover, we note this issue is currently being considered by the FCC and may ultimately be resolved by it. . . . In the event the FCC issues a decision that requires revision to the directives announced herein, the Commission expects the parties will so advise it.” Letter Order by Daniel Gahagan, Executive Secretary, Maryland Public Service Commission, at 1 (Md. PSC Sept. 11, 1997).
3. “[P]rior to a decision from the Federal Communications Commission on the issue of reciprocal compensation for traffic to ISPs within a local calling scope, the parties shall compensate one another for such traffic in the same manner that local calls to non-ISP end users are compensated, subject to a true-up following the Federal Communication Commission’s determination on the issue.” In re Birch Telecom of Missouri, Inc., 1998 WL 324141 \*5 (Mo. PSC Apr. 24, 1998).
4. “As to the meaning of the FCC’s prior rulings and pronouncements, the Commission is not persuaded that the FCC has ruled as Ameritech asserts. . . . When the FCC rules in the pending docket, the Commission can determine what action, if any, is required.” In re Brooks Fiber Communications of Michigan, Inc., Case No. U-1178, et al., at 14-15 (Mich. PSC Jan. 28, 1998).
5. “[T]he precise issue under review in the instant case is currently being decided by the FCC. . . . Any ruling by the FCC on that issue will no doubt affect future dealings between the parties on the instant case.” “Instead of classifying the web sites as the jurisdictional end of the communication, the FCC has specifically classified the ISP as an end user. [citation omitted] Given the absence of an FCC ruling on the subject, this court finds it appropriate to defer to the ICC’s finding of industry practice regarding termination.” Illinois Bell Tel. Comp. v. Worldcom Technologies, Inc., No. 98 C 1925, Mem. Op. and Order at 18, 27 (N.D. Ill. July 21, 1998).
6. “The Commission will adopt the exemption permitted by the FCC. However, the Agreement should indicate that if and when the FCC modifies the access charge exemption, the Agreement will also be modified.” MFS Communications Comp., Inc., 1996 WL 787940 \*5 (Ariz. Corp. Com’n Oct. 29, 1996).

7. An important consideration is “whether or not pending FCC proceedings counsel in favor of deferring action,” but “the FCC has had occasion to state its position on the issue and has not, thus far, definitively addressed the issue.” Petition for Declaratory Order of TCG Delaware Valley, Inc., P-00971256 at 20 (Pa. PUC June 16, 1998).

8. “Irrespective of how the FCC’s 1983 access charge exemption policy might otherwise be interpreted, for purposes of this cause the more recent Telecommunications Act and the FCC’s Universal Service Order would provide the controlling federal precedent. . . . No support has been offered to show that the FCC has acted in any manner to limit or dictate the type of compensation local exchange carriers can assess each other under an interconnection agreement for termination of traffic destined to ISPs.” In re Application of Brooks Fiber Communications of Oklahoma, Inc., Cause No. 970000548, Order 423626, at 10-11 (Okla. PSC June 3, 1998).

9. “The FCC has not squarely addressed this issue, although it may do so in the future. While both parties presented extensive exegeses on the obscurities of FCC rulings bearing on ISPs, there is nothing dispositive in the FCC rulings thus far.” In re Interconnection Agreement Between BellSouth Telecommunications, Inc. And US LEC of North Carolina, LLC, Docket No. P-55, SUB 1027 at 7 (N.C. PUC Feb. 26, 1998).

10. “We have searched the Act and the FCC Interconnection Order and find no reference to this issue.” In re Petition of MFS Communications Comp., Inc., Docket No. 96A-287T, at 30 (Colo. PUC Nov. 5, 1996).

11. Based on MFS’s argument that the issue is governed by the enhanced service provider exemption, “[t]here is no reason to depart from existing law or speculating what the FCC might ultimately conclude in a future proceeding.” In re MFS Communications Comp., Inc., 1996 WL 768931 \*13 (Or. PUC Dec. 9, 1996).

12. “All parties agree that the FCC has for many years declared that enhanced service providers, which include ISPs, may obtain services as end users under intrastate tariffs.” “Based upon the long-standing position of the FCC that existed years before the execution of the Interconnection Agreement, the Hearing Officer concludes that the term ‘Local Traffic’ . . . includes, as a matter of law, calls to ISPs.” In re Petition of Brooks Fiber, Docket No. 98-00118 (Tenn. Reg. Auth. Apr. 21, 1998).

13. Recognizing that the issue is pending at the FCC but concluding that “postponing a Commission decision to await a Federal Communications Commission decision is not in the parties’ interest or in the public interest.” Letter Order from Lynda L. Dorr, Secretary to the Public Service Comm’n of Wisconsin, to Rhonda Johnson and Mike Paulson, 5837-TD-100, 6720-TD-100 (Wisc. PSC May 13, 1998).

# **ATTACHMENT 3**

**INTERCONNECTION AGREEMENT UNDER SECTIONS 251 AND 252 OF THE  
TELECOMMUNICATIONS ACT OF 1996**

**Dated as of July 16, 1996**

**by and between**

**BELL ATLANTIC-VIRGINIA, INC.**

**and**

**MFS INTELENET OF VIRGINIA, INC.**

1.39. "Line Status Verification" or "LSV" means an operator request for a status check on the line of a called party. The request is made by one Party's operator to an operator of the other Party. The verification of the status check is provided to the requesting operator.

1.40 "Local Access and Transport Area" or "LATA" is As Defined in the Act.

1.41 "Local Exchange Carrier" or "LEC" is As Defined in the Act. The Parties to this Agreement are or will shortly become Local Exchange Carriers.

1.42. "Local Serving Wire Center" means a Wire Center that (i) serves the area in which the other Party's or a third party's Wire Center, aggregation point, point of termination, or point of presence is located, or any Wire Center in the LATA in which the other Party's Wire Center, aggregation point, point of termination or point of presence is located in which the other Party has established a Collocation Arrangement or is purchasing an entrance facility, and (ii) has the necessary multiplexing capabilities for providing transport services.

1.43 "Local Telephone Number Portability" or "LTNP" means "number portability" As Defined in the Act.

1.44 "Local Traffic," means traffic that is originated by a Customer of one Party on that Party's network and terminates to a Customer of the other Party on that other Party's network, within a given local calling area, or expanded area service ("EAS") area, as defined in BA's effective Customer tariffs. Local Traffic does not include traffic originated or terminated by a commercial mobile radio service carrier.

1.45. "Main Distribution Frame" or "MDF" means the primary point at which outside plant facilities terminate within a Wire Center, for interconnection to other telecommunications facilities within the Wire Center.

1.46. "MECAB" means the Multiple Exchange Carrier Access Billing (MECAB) document prepared by the Billing Committee of the Ordering and Billing Forum ("OBF"), which functions under the auspices of the Carrier Liaison Committee ("CLC") of the Alliance for Telecommunications Industry Solutions ("ATIS"). The MECAB document, published by Bellcore as Special Report SR-BDS-000983, contains the recommended guidelines for the billing of an Exchange Access service provided by two or more LECs, or by one LEC in two or more states, within a single LATA.

1.47 "MECOD" means the Multiple Exchange Carriers Ordering and Design (MECOD) Guidelines for Access Services - Industry Support Interface, a document developed by the Ordering/Provisioning Committee under the auspices of OBF. The MECOD document, published by Bellcore as Special Report SR-STS-002643, establishes methods for processing orders for Exchange Access service which is to be provided by two or more LECs.

1.48 "Meet-Point Billing" or "MPB" means an arrangement whereby two or more LECs jointly provide to a third party the transport element of a Switched Exchange Access Service to one

group, it will supply an auditable Percent Interstate Use ("PIU") report quarterly, based on the previous three months' terminating traffic, and applicable to the following three months. In lieu of the foregoing PLU and/or PIU reports, the Parties may agree to provide and accept reasonable surrogate measures for an agreed-upon interim period.

5.6.4 Measurement of billing minutes for purposes of determining terminating compensation shall be in conversation seconds.

#### **5.7 Reciprocal Compensation Arrangements – Section 251(b)(5).**

Reciprocal Compensation arrangements address the transport and termination of Local Traffic. BA's delivery of Traffic to MFS that originated with a third carrier is addressed in subsection 7.3. Where MFS delivers Traffic (other than Local Traffic) to BA, except as may be set forth herein or subsequently agreed to by the Parties, MFS shall pay BA the same amount that such carrier would have paid BA for termination of that Traffic at the location the Traffic is delivered to BA by MFS. Compensation for the transport and termination of traffic not specifically addressed in this subsection 5.7 shall be as provided elsewhere in this Agreement, or if not so provided, as required by the Tariffs of the Party transporting and/or terminating the traffic.

5.7.1 Nothing in this Agreement shall be construed to limit either Party's ability to designate the areas within which that Party's Customers may make calls which that Party rates as "local" in its Customer Tariffs.

5.7.2 The Parties shall compensate each other for transport and termination of Local Traffic in an equal and symmetrical manner at the rates provided in the Detailed Schedule of Itemized Charges (Exhibit A hereto) or, if not set forth therein, in the applicable Tariff(s) of the terminating Party, as the case may be. These rates are to be applied at the M-IP for traffic delivered by BA, and at the BA-IP for traffic delivered by MFS. No additional charges, including port or transport charges, shall apply for the termination of Local Traffic delivered to the BA-IP or the M-IP, except as set forth in Exhibit A. When Local Traffic is terminated over the same trunks as Toll Traffic, any port or transport or other applicable access charges related to the Toll Traffic shall be prorated to be applied only to the Toll Traffic.

5.7.3 The Reciprocal Compensation arrangements set forth in this Agreement are not applicable to Switched Exchange Access Service. All Switched Exchange Access Service and all Toll Traffic shall continue to be governed by the terms and conditions of the applicable federal and state Tariffs.

5.7.4 Compensation for transport and termination of all Traffic which has been subject to performance of INP by one Party for the other Party pursuant to Section 14 shall be as specified in subsection 14.5.

5.7.5 The designation of Traffic as Local or Toll for purposes of compensation shall be based on the actual originating and terminating points of the complete end-to-end call, regardless of the carrier(s) involved in carrying any segment of the call.

5.7.6 Each Party reserves the right to measure and audit all Traffic to ensure that proper rates are being applied appropriately. Each Party agrees to provide the necessary Traffic data or permit the other Party's recording equipment to be installed for sampling purposes in conjunction with any such audit.

5.7.7 The Parties will engage in settlements of alternate-billed calls (e.g. collect, calling card, and third-party billed calls) originated or authorized by their respective Customers in Virginia in accordance with the terms of an appropriate billing services agreement for intraLATA intrastate alternate-billed calls or such other arrangement as may be agreed to by the Parties.

## **6.0 TRANSMISSION AND ROUTING OF EXCHANGE ACCESS TRAFFIC PURSUANT TO 251(c)(2).**

### **6.1 Scope of Traffic**

Section 6 prescribes parameters for certain trunks to be established over the Interconnections specified in Section 4 for the transmission and routing of traffic between MFS Telephone Exchange Service Customers and Interexchange Carriers ("Access Toll Connecting Trunks"). This includes casually-dialed (10XXX and 101XXXX) traffic.

### **6.2 Trunk Group Architecture and Traffic Routing**

6.2.1 MFS shall establish Access Toll Connecting Trunks by which it will provide tandem-transported Switched Exchange Access Services to Interexchange Carriers to enable such Interexchange Carriers to originate and terminate traffic to and from MFS's Customers.

6.2.2 Access Toll Connecting Trunks shall be used solely for the transmission and routing of Exchange Access to allow MFS's Customers to connect to or be connected to the interexchange trunks of any Interexchange Carrier which is connected to an BA Access Tandem.

6.2.3 The Access Toll Connecting Trunks shall be two-way trunks connecting an End Office Switch MFS utilizes to provide Telephone Exchange Service and Switched Exchange Access in a given LATA to an Access Tandem BA utilizes to provide Exchange Access in such LATA.

6.2.4 The Parties shall jointly determine which BA Access Tandem(s) will be subtended by each MFS End Office Switch. MFS's End Office switch shall subtend the BA Access Tandem that would have served the same rate center on BA's network. Alternative configurations will be discussed as part of the Joint Plan.

### **6.3 Meet-Point Billing Arrangements**

**INTERCONNECTION AGREEMENT UNDER SECTIONS 251 AND 252 OF THE  
TELECOMMUNICATIONS ACT OF 1996**

**Dated as of June 5, 1998**

**by and between**

**BELL ATLANTIC - PENNSYLVANIA, INC.**

**and**

**ACCELERATED  
CONNECTIONS,  
INC.**

1.42 "Local Serving Wire Center" means a Wire Center that (i) serves the area in which the other Party's or a third party's Wire Center, aggregation point, point of termination, or point of presence is located, or any Wire Center in the LATA in which the other Party's Wire Center, aggregation point, point of termination or point of presence is located in which the other Party has established a Collocation Arrangement or is purchasing an entrance facility, and (ii) has the necessary multiplexing capabilities for providing transport services.

1.43 "Local Telephone Number Portability" or "LTNP" means "number portability" As Defined in the Act.

1.44 "Local Traffic," means traffic that is originated by a Customer of one Party on that Party's network and terminates to a Customer of the other Party on that other Party's network, within a given local calling area, or expanded area service ("EAS") area, as defined in BA's effective Customer tariffs, or, if the Commission has defined local calling areas applicable to all LECs, then as so defined by the Commission.

1.45 "Main Distribution Frame" or "MDF" means the primary point at which outside plant facilities terminate within a Wire Center, for interconnection to other telecommunications facilities within the Wire Center.

1.46 "MECAB" means the Multiple Exchange Carrier Access Billing (MECAB) document prepared by the Billing Committee of the Ordering and Billing Forum ("OBF"), which functions under the auspices of the Carrier Liaison Committee ("CLC") of the Alliance for Telecommunications Industry Solutions ("ATIS"). The MECAB document, published by Bellcore as Special Report SR-BDS-000983, contains the recommended guidelines for the billing of an Exchange Access service provided by two or more LECs, or by one LEC in two or more states, within a single LATA.

1.47 "MECOD" means the Multiple Exchange Carriers Ordering and Design (MECOD) Guidelines for Access Services - Industry Support Interface, a document developed by the Ordering/Provisioning Committee under the auspices of OBF. The MECOD document, published by Bellcore as Special Report SR-STS-002643, establishes methods for processing orders for Exchange Access service which is to be provided by two or more LECs.

1.48 "Meet-Point Billing" or "MPB" means an arrangement whereby two or more LECs jointly provide to a third party the transport element of a Switched Exchange Access Service to one of the LECs' End Office Switches, with each LEC receiving an appropriate share of the transport element, revenues as defined by their effective Exchange Access tariffs. "Meet-Point Billing Traffic" means traffic that is subject to an effective Meet-Point Billing arrangement.

1.49 "Mid-Span Meet" means an Interconnection architecture whereby two carriers' transmission facilities meet at a mutually agreed-upon point of Interconnection utilizing a fiber

LEC for its provision of Telephone Exchange Services. The Rate Center Area is the exclusive geographic area which the LEC has identified as the area within which it will provide Telephone Exchange Services bearing the particular NPA-NXX designation associated with the specific Rate Center Area. A "Rate Center Point" is a specific geographic point, defined by a V&H coordinate, located within the Rate Center Area and used to measure distance for the purpose of billing Customers for distance-sensitive Telephone Exchange Services and Toll Traffic.

1.59 "Rate Demarcation Point" means the Minimum Point of Entry ("MPOE") of the property or premises where the Customer's service is located as determined by BA. This point is where network access recurring charges and BA responsibility stop and beyond which Customer responsibility begins.

1.60 "Rating Point" or "Routing Point" means a specific geographic point identified by a specific V&H coordinate. The Rating Point is used to route inbound traffic to specified NPA-NXXs and to calculate mileage measurements for distance-sensitive transport charges of switched access services. Pursuant to Bellcore Practice BR-795-100-100, the Rating Point may be an End Office location, or a "LEC Consortium Point of Interconnection." Pursuant to that same Bellcore Practice, examples of the latter shall be designated by a common language location identifier (CLLI) code with (x)KD in positions 9, 10, 11, where (x) may be any alphanumeric A-Z or 0-9. The Rating Point/Routing Point must be located within the LATA in which the corresponding NPA-NXX is located. However, the Rating Point/Routing Point associated with each NPA-NXX need not be the same as the corresponding Rate Center Point, nor must it be located within the corresponding Rate Center Area, nor must there be a unique and separate Rating Point corresponding to each unique and separate Rate Center.

1.61 "Reciprocal Compensation" is As Described in the Act, and refers to the payment arrangement set forth in subsection 5.7 below.

1.62 "Service Control Point" or "SCP" means the node in the common channel signaling network to which informational requests for service handling, such as routing, are directed and processed. The SCP is a real time database system that, based on a query from a service switching point and via a Signaling Transfer Point, performs subscriber or application-specific service logic, and then sends instructions back to the SSP on how to continue call processing.

1.63 "Signaling Transfer Point" or "STP" means a specialized switch that provides SS7 network access and performs SS7 message routing and screening.

1.64 "Switched Access Detail Usage Data" means a category 1101XX record as defined in the EMR Bellcore Practice BR-010-200-010.

1.65 "Switched Access Summary Usage Data" means a category 1150XX record as defined in the EMR Bellcore Practice BR-010-200-010.

5.6.4 Measurement of billing minutes for purposes of determining terminating compensation shall be in conversation seconds.

#### **5.7 Reciprocal Compensation Arrangements – Section 251(b)(5)**

Reciprocal Compensation arrangements address the transport and termination of Local Traffic. BA's delivery of Traffic to ACI that originated with a third carrier is addressed in subsection 7.3. Where ACI delivers Traffic (other than Local Traffic) to BA, except as may be set forth herein or subsequently agreed to by the Parties, ACI shall pay BA the same amount that such carrier would have paid BA for termination of that Traffic at the location the Traffic is delivered to BA by ACI. Compensation for the transport and termination of traffic not specifically addressed in this subsection 5.7 shall be as provided elsewhere in this Agreement, or if not so provided, as required by the Tariffs of the Party transporting and/or terminating the traffic. BA shall provide notice to ACI of any BA filing to the Commission that would alter the classification of particular traffic as Local or IntraLATA Toll Traffic.

5.7.1 Nothing in this Agreement shall be construed to limit either Party's ability to designate the areas within which that Party's Customers may make calls which that Party rates as "local" in its Customer Tariffs.

5.7.2 The Parties shall compensate each other for the transport and termination of Local Traffic in an equal and symmetrical manner at the rates provided in the Detailed Schedule of Itemized Charges (Exhibit A hereto), as may be amended from time to time in accordance with Exhibit A and subsection 20.1.2 below or, if not set forth therein, in the applicable Tariff(s) of the terminating Party, as the case may be. These rates are to be applied at the ACI-IP for traffic delivered by BA, and at the BA-IP for traffic delivered by ACI. No additional charges, including port or transport charges, shall apply for the termination of Local Traffic delivered to the BA-IP or the ACI-IP, except as set forth in Exhibit A. When Local Traffic is terminated over the same trunks as Toll Traffic, any port or transport or other applicable access charges related to the Toll Traffic shall be prorated to be applied only to the Toll Traffic.

5.7.3 The Parties disagree as to whether traffic that originates on one Party's network and is transmitted to an Internet Service Provider ("ISP") constitutes Local Traffic as defined herein. The issue of whether such traffic constitutes Local on which reciprocal compensation must be paid pursuant to the Act may be considered by the Commission and is presently, before the FCC in CCB/CPD 97-30. The Parties agree that the decision of the FCC in that proceeding shall determine whether such traffic is Local Traffic (as defined herein). Absent an FCC determination, any Commission ruling on this issue shall be controlling. If the FCC determines that ISP Traffic is Local Traffic, as defined herein, it shall be compensated as Local Traffic under this Agreement. If the FCC or court of competent jurisdiction determines that ISP Traffic is not Local Traffic, as defined herein, and such decision preempts inconsistent state rulings, the Parties will agree upon appropriate treatment of said traffic for compensation purposes; if the Parties are unable to agree upon an appropriate treatment, either Party may apply to the Commission for a decision on such issue.

5.7.4 Compensation for transport and termination of all Traffic which has been subject to performance of INP by one Party for the other Party pursuant to Section 14 shall be as specified in subsection 14.5.

5.7.5 The designation of Traffic as Local or non-Local for purposes of compensation shall be based on the actual originating and terminating points of the complete end-to-end call, regardless of the entities involved in carrying any segment of the call.

5.7.6 Each Party reserves the right to measure and audit all Traffic, up to a maximum of two audits per calendar year, to ensure that proper rates are being applied appropriately, provided, however, that either Party shall have the right to conduct additional audit(s) if the preceding audit disclosed material errors or discrepancies. Each Party agrees to provide the necessary Traffic data or permit the other Party's recording equipment to be installed for sampling purposes in conjunction with any such audit.

5.7.7 The Parties will engage in settlements of intraLATA intrastate alternate-billed calls (e.g. collect, calling card, and third-party billed calls) originated or authorized by their respective Customers in Pennsylvania in accordance with the terms of an appropriate IntraLATA Telecommunications Services Settlement Agreement between the Parties substantially in the form appended hereto as Exhibit D.

## **6.0 TRANSMISSION AND ROUTING OF EXCHANGE ACCESS TRAFFIC PURSUANT TO 251(c)(2)**

### **6.1 Scope of Traffic**

Section 6 prescribes parameters for certain trunks to be established over the Interconnections specified in Section 4 for the transmission and routing of traffic between ACI Telephone Exchange Service Customers and Interexchange Carriers ("Access Toll Connecting Trunks"), in any case where ACI elects to have its End Office Switch subtend a BA Tandem. This includes casually-dialed (10XXX and 101XXXX) traffic.

### **6.2 Trunk Group Architecture and Traffic Routing**

6.2.1 ACI shall establish Access Toll Connecting Trunks by which it will provide tandem-transported Switched Exchange Access Services to Interexchange Carriers to enable such Interexchange Carriers to originate and terminate traffic to and from ACI's Customers.

6.2.2 Access Toll Connecting Trunks shall be used solely for the transmission and routing of Exchange Access to allow ACI's Customers to connect to or be connected to the interexchange trunks of any Interexchange Carrier which is connected to a BA Tandem.

**INTERCONNECTION AGREEMENT UNDER SECTIONS 251 AND 252 OF THE  
TELECOMMUNICATIONS ACT OF 1996**

**Dated as of June 19, 1998**

**by and between**

**BELL ATLANTIC - NEW YORK**

**and**

**AUSTIN COMPUTER ENTERPRISES, INC.**

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970, 940).

1.39 "Inside Wire" or "Inside Wiring" means all wire, cable, terminals, hardware, and other equipment or materials on the Customer's side of the Rate Demarcation Point.

1.40 "Integrated Digital Loop Carrier" or "IDLC" means a subscriber loop carrier system which integrates within the switch at a DS1 level that is twenty-four (24) loop transmission paths combined into a 1.544 Mbps digital signal.

1.41 "Integrated Services Digital Network" or "ISDN" means a switched network service that provides end-to-end digital connectivity for the simultaneous transmission of voice and data. Basic Rate Interface-ISDN (BRI-ISDN) provides for a digital transmission of two 64 Kbps bearer channels and one 16 Kbps data and signaling channel (2B+D). Primary Rate Interface-ISDN ("PRI-ISDN") provides for digital transmission of twenty three (23) 64 kbps bearer channels and one (1) 64 kbps data and signaling channel (23 B+D).

1.42 "Interconnection" is As Described in the Act and refers to the connection of separate pieces of equipment or transmission facilities within, between, or among networks for the purpose of transmission and routing of Telephone Exchange Service traffic and Exchange Access traffic.

1.43 "Interexchange Carrier" or "EXC" means a carrier that provides, directly or indirectly, InterLATA or IntraLATA Telephone Toll Services.

1.44 "Interim Telecommunications Number Portability" or "INP" is As Described in the Act.

1.45 "InterLATA Service" is As Defined in the Act.

1.46 "IntraLATA Toll Traffic" means those intraLATA calls that are not defined as Local Traffic in this Agreement.

1.47 "Line Side" means an End Office Switch connection that provides transmission, switching and optional features suitable for Customer connection to the public switched network, including loop start supervision, ground start supervision, and signaling for basic rate ISDN service.

1.48 "Local Access and Transport Area" or "LATA" is As Defined in the Act.

1.49 "Local Exchange Carrier" or "LEC" is As Defined in the Act. The Parties to this Agreement are or will shortly become Local Exchange Carriers.

1.50 "Local Traffic", means traffic that is originated by a Customer of one Party on

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that Party's network and terminates to a Customer of the other Party on that other Party's network, within a given local calling area, or expanded area service ("EAS") area, as defined in BA's effective Customer tariffs, or, if the Commission has defined local calling areas applicable to all LEC's, then as so defined by the Commission.

1.51 "Main Distribution Frame" or "MDF" means the ultimate point at which outside plant facilities terminate within a Wire Center, for interconnection to other telecommunications facilities within the Wire Center.

1.52 "Meet-Point Billing" or "MPB" means the process whereby each Party bills the appropriate tariffed rate for its portion of a jointly provided Switched Exchange Access Service as agreed to in the Agreement for Switched Access Meet Point Billing.

1.53 "Network Element" is As Defined in the Act.

1.54 "Network Interface Device" or "NID" means the BA-provided interface terminating BA's telecommunications network on the property where the Customer's service is located at a point determined by BA.

1.55 "North American Numbering Plan" or "NANP" means the numbering plan used in the United States, Canada, Bermuda, Puerto Rico and certain Caribbean Islands. The NANP format is a 10-digit number that consists of a 3-digit NPA code (commonly referred to as the area code), followed by a 3-digit NXX code and 4-digit line number.

1.56 "Numbering Plan Area", or "NPA" is also sometimes referred to as an area code. there are two general categories of NPAs. "Geographic NPAs" and "Non-Geographic NPAs". A Geographic NPA is associated with a defined geographic area, and all telephone numbers bearing such NPA are associated with services provided within that geographic area. A Non-Geographic NPA, also known as a "Service Access Code" or "SAC Code", is typically associated with a specialized telecommunications service which may be provided across multiple geographic NPA areas; 800, 900, 700, 500 and 888 are examples of Non-Geographic NPAs.

1.57 "Number Portability" or "NP" is As Defined in the Act.

1.58 "NXX", "NXX Code", or "End Office Code" means the three-digit switch entity indicator (i.e. the first three digits of a seven digit telephone number).

1.59 "Party" means either BA or Austin and "Parties" means BA and Austin.

1.60 "Permanent Number Portability" or "PNP" means the use of a database or other technical solution that comports with regulations issued by the FCC to provide Number Portability for all customers and service providers.

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1.61 "Port Element" or "Port" means a termination on a Central Office Switch that permits Customers to send or receive Telecommunications over the public switched network, but does not include switch features or switching functionality.

1.62 "POT Bay" or "Point of Termination Bay" means the intermediate distributing frame system which serves as the point of demarcation for collocated Interconnection.

1.63 "Rate Center" or "Rate Center Area" or "Exchange Area" means the geographic area that has been identified by a given LEC as being associated with a particular NPA-NXX code which has been assigned to the LEC for its provision of Telephone Exchange Services. The Rate Center Area is the exclusive geographic area which the LEC has identified as the area within which it will provide Telephone Exchange Services bearing the particular NPA-NXX designation associated with the specific Rate Center Area. A "Rate Center Point" is the finite geographic point identified by a specific V&H coordinate (as defined in Bellcore Special Report SR-TSV-002275), located within the Rate Center Area and used by that LEC to measure distance for the purpose of billing Customers for distance sensitive Telephone Exchange Services and Toll Traffic. Rate Centers will be identical for each Party until such time as Austin is permitted by an appropriate regulatory body to create its own Rate Centers within an area.

1.64 "Rate Demarcation Point" means the point where network access recurring charges and BA responsibility stop and beyond which Customer responsibility begins, determined in accordance with FCC rules and BA standard operating practices.

1.65 "Rating Point" or "Routing Point" means a specific geographic point identified by a specific V&H coordinate. The Rating Point is used to route inbound traffic to specified NPA-NXXs and to calculate mileage measurements for the distance-sensitive transport charges of switched access services. Pursuant to Bell Communications Research, Inc. ("Bellcore") Practice BR 795-100-100 (the "Bellcore Practice"), the Rating Point may be an End Office location, or a "LEC Consortium Point of Interconnection." Pursuant to that same Bellcore Practice, each "LEC Consortium Point of Interconnection" shall be designated by a common language location identifier ("CLLI") code with (x)KD in positions 9, 10, 11, where (x) may be any alphanumeric A-Z or 0-9. The Rating Point must be located within the LATA in which the corresponding NPA-NXX is located. However, the Rating Point associated with each NPA-NXX need not be the same as the corresponding Rate Center Point, nor must it be located within the corresponding Rate Center Area, nor must there be a unique and separate Rating Point corresponding to each unique and separate Rate Center.

1.66 "Reciprocal Compensation" is As Described in the Act, and refers to the payment arrangements that recover costs incurred for the transport and termination of Reciprocal Compensation Traffic originating on one Party's network and terminating on the other Party's network.

1.67 "Reciprocal Compensation Call" or "Reciprocal Compensation Traffic" means a