

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**ORIGINAL
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**Resolution of Petition(s) to establish)
nondiscriminatory rates, terms, and) Docket No. 950985B-TP
conditions for interconnection)
involving local exchange companies and) Filed: December 11, 1995
alternative local exchange companies)
pursuant to Section 364.162, Florida)
Statutes)**

REBUTTAL TESTIMONY OF TIMOTHY T. DEVINE

ON BEHALF OF

METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.

Docket No. 950985B-TP

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ON BEHALF OF
METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.
Docket No. 950985B-TP**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A. My name is Timothy T. Devine. My business address is MFS**
3 **Communications Company, Inc., Six Concourse Parkway, Ste. 2100,**
4 **Atlanta, Georgia 30328.**

5 **Q. ARE YOU THE SAME TIMOTHY DEVINE WHO PREVIOUSLY**
6 **FILED TESTIMONY IN THIS PROCEEDING?**

7 **A. Yes.**

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
9 **PROCEEDING?**

10 **A. To respond on behalf of Metropolitan Fiber Systems of Florida, Inc.**
11 **(“MFS-FL”) to the direct testimony in this proceeding, and particularly the**
12 **testimony of Mr. Robert C. Scheye and Dr. Aniruddha (Andy) Banerjee**
13 **filed on behalf of BellSouth Telecommunications, Inc.**

14 **Q. HAVE YOU INDICATED THE MFS-FL POSITION ON EACH OF**
15 **THE INTERCONNECTION ISSUES ADDRESSED IN THIS**
16 **DOCKET?**

17 **A. Yes. The MFS-FL position on the issues in this docket is most fully**
18 **addressed in my Direct Testimony.**

1 **II. BELLSOUTH'S ATTEMPT TO RELITIGATE THE ISSUE OF**
2 **RECOVERY FOR ITS ALLEGED UNIVERSAL SERVICE**
3 **OBLIGATION IS CONTRARY TO THE INTENT OF THE**
4 **LEGISLATURE AND SHOULD BE REJECTED**

5 **Q. DOES BELLSOUTH CONTINUE TO INSIST ON REESTABLISHING**
6 **A CONNECTION BETWEEN RECIPROCAL COMPENSATION AND**
7 **UNIVERSAL SERVICE?**

8 **A. Yes. Despite the fact that the issue of universal service has been fully**
9 **litigated, appropriately, in a separate docket, and in fact reportedly will be**
10 **decided by the Commission on December 11, 1995, BellSouth persists in**
11 **dedicating substantial portions of its Direct Testimony in this**
12 ***interconnection* docket to the issue of universal service. See, e.g., Scheye**
13 **Direct at 26; Banerjee Direct at 9-10. As I demonstrated in my Direct**
14 **Testimony, the Legislature deliberately separated the issues of**
15 **interconnection compensation and universal service. This is clearly**
16 **indicated by both the legislative history, which indicates a clear intent to**
17 **separate interconnection and universal service, and by the fact that these**
18 **issues are addressed separately in the statute. Devine Direct at 12-13.**
19 **Moreover, the fact that the Commission is deciding the issue of universal**

1 service at this time in another docket conclusively demonstrates that
2 universal service is *not* at issue in this proceeding.

3 **Q. DOES MFS-FL RECOGNIZE ANY CONNECTION BETWEEN**
4 **UNIVERSAL SERVICE AND INTERCONNECTION**
5 **ARRANGEMENTS?**

6 **A.** Yes. MFS-FL agrees with BellSouth that universal service and co-carrier
7 issues are interrelated and that, in the end, the Commission should examine
8 the full set of arrangements established to ensure that they encourage the
9 development of competition. For example, by imposing a series of charges
10 on ALECs (*e.g.*, compensation, universal service, number portability,
11 unbundled loops, etc.), LECs can implement a price squeeze that could
12 render it impossible for ALECs to compete. Devine Direct at 39-40.
13 BellSouth's insistence, however, that agreement on any interconnection issue
14 — even noncontroversial, technical issues — must be accompanied by an
15 agreement to universal service payments, on the terms proposed by
16 BellSouth, was the ultimate impediment to progress in the MFS-FL
17 negotiations. MFS-FL has experienced success in negotiating
18 interconnection agreements in California, Connecticut, New York and
19 Massachusetts. Despite MFS-FL's negotiating success with many LECs,

1 BellSouth's intransigence on all issues has compelled MFS-FL and other
2 parties to turn to the Commission for relief.

3 **Q. DID MFS-FL RECENTLY NEGOTIATE AN INTERCONNECTION**
4 **AGREEMENT WITH PACIFIC BELL?**

5 **A.** Yes. On November 20, 1995, MFS announced an interconnection
6 agreement with Pacific Bell addressing virtually all of the co-carrier issues
7 MFS-FL has requested from BellSouth in negotiations and in this
8 proceeding. The agreement is attached hereto as Exhibit TTD-5. (The
9 attached agreement does not include two attachments, A and B, that merely
10 list business and residence zone codes. These are available upon request
11 from MFS-FL or its attorneys.) The agreement covers number resources,
12 tandem subtending (including meet-point billing), reciprocal traffic exchange
13 and reciprocal compensation, shared platform arrangements, unbundling the
14 local loop, and interim number portability. Although the MFS agreement with
15 BellSouth was not ideal in every respect, it demonstrates the MFS
16 commitment to negotiating co-carrier arrangements, when a reasonable
17 agreement is possible.

1 **Q. IF THE CALIFORNIA AGREEMENT WAS NOT IDEAL, WHY DID**
2 **MFS-FL AGREE TO ARRANGEMENTS THAT WERE LESS THAN**
3 **PERFECT?**

4 **A. While MFS is not completely satisfied with every aspect of the California**
5 **agreement, California is a significant state for MFS. MFS has facilities in**
6 **San Diego, Los Angeles, and San Francisco, representing approximately**
7 **\$200 million in revenues. The agreement also accelerated the availability of**
8 **unbundled local loops, and will permit MFS, if it becomes certificated to**
9 **provide local service, to begin providing local exchange service as of**
10 **January 1, 1996. Like California, Florida is a significant market for MFS,**
11 **and MFS-FL would like to reach a similar agreement with BellSouth to**
12 **permit it to compete in the Florida local exchange markets as soon as**
13 **possible.**

14 **Q. DOES BELLSOUTH ADMIT THAT IT REQUIRES THAT**
15 **UNIVERSAL SERVICE BE ADDRESSED AS PART OF**
16 **INTERCONNECTION NEGOTIATIONS?**

17 **A. Yes. Mr. Scheye states that it is appropriate to consider interconnection and**
18 **universal service together, and includes universal service in its list of**
19 **negotiating issues. Scheye Direct at 3, 26. This is precisely the approach**

1 that was flatly rejected by the Legislature, and that torpedoed any progress
2 on interconnection negotiations between MFS-FL and BellSouth.

3 **Q. BRIEFLY, WHAT IS THE MFS-FL POSITION ON UNIVERSAL**
4 **SERVICE?**

5 **A. MFS-FL believes that, prior to assessing any charges on ALECs for**
6 **BellSouth universal service "obligations," BellSouth must demonstrate that**
7 **providing service to certain geographic areas or classes of customers is, in**
8 **fact, a burden. Florida LECs have not -- in the universal service docket, this**
9 **proceeding, or elsewhere -- demonstrated that the incremental cost of**
10 **providing local exchange service to any class of customers or geographic**
11 **area exceeds the revenues obtained from customers in that class or area.**
12 **(The proper way to make this calculation is outlined in the MFS Universal**
13 **Service Brief at pages 23-25). Any mechanism adopted by the Commission**
14 **must therefore create a procedure that will require a LEC to make such a**
15 **showing as a threshold matter. LEC proposals that would arbitrarily and**
16 **prematurely impose charges on ALECs without such an analysis appear to**
17 **be designed to insulate LECs from competition by maintaining LEC**
18 **revenues at existing levels and creating an insurmountable barrier to local**
19 **competition. Similarly, the BellSouth insistence on including this issue in**

1 interconnection negotiations absent such a showing is merely an attempt to
2 take advantage of its unequal bargaining power derived from its control of
3 bottleneck facilities to impose a burdensome universal service charge on
4 ALECs.

5 **Q. IS THE EXTENSIVE TESTIMONY ON UNIVERSAL SERVICE**
6 **CONTAINED IN THE BELL SOUTH INTERCONNECTION**
7 **TESTIMONY MOOTED BY THE COMMISSION'S DECISION IN**
8 **THE UNIVERSAL SERVICE DOCKET?**

9 A. Yes. The Commission reportedly will decide the issue of universal service
10 on December 11, the date on which this testimony is filed. That decision
11 will be rendered in Docket No. 950696-TP, completely independent of this
12 proceeding. Staff, in its recommendation in that proceeding, has proposed
13 that the Commission adopt a mechanism whereby LECs may initiate an
14 expedited petition process for US/COLR funding on a case-by-case basis.
15 In such a proceeding, a LEC would be required to demonstrate that
16 competitive entry has eroded its ability to fund its US/COLR obligations and
17 quantify the shortfall in universal service support due to competitive entry.
18 Staff Memorandum Re: Docket No. 950696-TP -- Determination of
19 Funding for Universal Service and Carrier of Last Resort Responsibilities,

1 at 8-9 (December 5, 1995). Once the Commission decides the issue of
2 universal service, in Docket No. 950696-TP, BellSouth's testimony on this
3 issue in this docket will not only be in the wrong docket, but altogether
4 moot.

5 **III. BILL AND KEEP IS THE MOST EFFICIENT MECHANISM FOR**
6 **THE EXCHANGE OF LOCAL TRAFFIC BETWEEN ALECS AND**
7 **BELLSOUTH**

8 **Q. COULD YOU SUMMARIZE THE BILL AND KEEP PROPOSAL**
9 **ADVOCATED BY MFS-FL, CONTINENTAL, MCI METRO, AT&T,**
10 **THE FLORIDA CABLE TELEVISION ASSOCIATION, TIME**
11 **WARNER, AND OTHERS?**

12 **A.** As I explained in my direct testimony accompanying the Petition of
13 MFS-FL for interconnection rates, terms, and conditions, under bill and
14 keep, each carrier would be compensated in two ways for terminating local
15 calls originated by customers of other local exchange carriers. First, each
16 carrier would receive the reciprocal right to receive termination of local
17 calls made by its own customers to subscribers on the other local exchange
18 carrier's network. This is often referred to as payment "in kind." In
19 addition, the terminating carrier is compensated for call termination by its

1 own customer, who pays the terminating carrier a monthly fee for service,
2 including the right to receive calls without separate charge.

3 **Q. WHY DOES MFS-FL SUPPORT BILL AND KEEP?**

4 **A.** Unlike the proposals advocated by other parties, and particularly as
5 compared with the per-minute charge advocated by BellSouth, bill and keep
6 economizes on costs of measurement and billing, which could increase
7 prices for all customers. It is also the only method proposed by any of the
8 parties that provides an ironclad guarantee that a price squeeze will not
9 foreclose the development of local exchange competition in Florida. The
10 bill and keep method of compensation also provides incentives to carriers to
11 adopt an efficient network architecture, one that will enable the termination
12 of calls in the manner that utilizes the fewest resources. As a result of these
13 advantages, some form of bill and keep has been adopted by several states
14 and is currently in use in many states for the exchange of traffic between
15 existing LECs.

16 **Q. DO OTHER PARTIES SUPPORT THE IMPLEMENTATION OF BILL**
17 **AND KEEP RECIPROCAL COMPENSATION IN THIS DOCKET?**

18 **A.** Yes. Continental, AT&T Communications of the Southern States, Inc.
19 ("AT&T"), Time Warner/Digital Media Partners, MCI Metro Access

1 Transmission Services, Inc. ("MCI Metro"), and the Florida Cable
2 Telecommunications Association ("FCTA") all support identical bill and
3 keep proposals. Continental Amended Petition at 8; McGrath Direct at
4 13-14; Cornell Direct at 10-20; Cresse Direct at 4; Guedel Direct at 13.
5 These parties emphasize the same benefits of administrative simplicity, the
6 elimination of the possibility a price squeeze, and the efficiency incentives
7 created by bill and keep.

8 **Q. HAS BELL SOUTH SUPPORTED BILL AND KEEP IN PRINCIPLE?**

9 **A.** Yes. Despite its stated opposition to bill and keep, surprisingly, the TCG
10 Stipulation recognizes that bill and keep is an effective method of
11 compensation between LECs and ALECs. TCG Stipulation at 3. TCG and
12 BellSouth would exchange traffic on an in-kind basis for the first two years
13 of the Stipulation. TCG and BellSouth would also exchange traffic on an in-
14 kind basis if "it is mutually agreed that the administrative costs associated
15 with local interconnection are greater than the net monies exchanged." *Id.*
16 Mr. Scheye also recognizes in his Direct Testimony that payment of access
17 charges will virtually equate to a system of bill and keep (without the
18 administrative simplicity of bill and keep): "Because the payments are
19 mutual, the compensation to ALECs by BellSouth to terminate traffic on an

1 ALEC's network will offset, to a great extent, the compensation paid to
2 BellSouth by an ALEC." Scheye Direct at 12. Thus, the TCG Stipulation
3 also recognizes the primary reason for adopting bill and keep, the
4 desirability of avoiding the unnecessary administrative costs involved in
5 other forms of compensation. All of BellSouth's testimony criticizing bill
6 and keep should be read with this simple fact in mind: BellSouth has
7 voluntarily agreed to utilize this system for two years, and possibly longer.
8 The Commission should likewise recognize the benefits of bill and keep, not
9 only for the first two years, but on a permanent basis.

10 **Q. WHY IS BELLSOUTH'S CRITIQUE OF BILL AND KEEP**
11 **MISLEADING AND UNSUBSTANTIATED?**

12 **A. Many of the reasons BellSouth offers for rejecting bill and keep are, in fact,**
13 **the strongest arguments in favor of such an arrangement. For example,**
14 **BellSouth witness Mr. Scheye argues that, under bill and keep, ALECs will**
15 **have no incentive to efficiently provision their services but will instead rely**
16 **on efficiencies inherent to BellSouth's network. Scheye Direct at 9;**
17 **Banerjee Direct at 19-20. The bill and keep method of compensation in fact**
18 **provides incentives to carriers to adopt an efficient network architecture,**
19 **one that will enable the termination of calls in the manner that utilizes the**

1 fewest resources. A compensation scheme in which the terminating carrier
2 is able to transfer termination costs to the originating carrier, as proposed by
3 BellSouth, reduces the incentive of the terminating carrier to utilize an
4 efficient call termination design. Devine Direct at 36.

5 **Q. DOES BELLSOUTH SUGGEST THAT ALECS BE REQUIRED TO**
6 **OVERBUILD THE EXISTING LEC NETWORKS?**

7 **A.** Yes. BellSouth suggests that ALECs “may decide to interconnect their end
8 offices with BellSouth’s tandems, rather than building their own tandems
9 because there will be no financial incentive to make this investment.”
10 Scheye Direct at 7; Banerjee Direct at 20. As MFS-FL has argued in its
11 direct testimony, the most efficient means for all carriers to access IXC is
12 by subtending the BellSouth tandem. The BellSouth suggestion that multiple
13 tandems is the most efficient solution defies common sense. If BellSouth is
14 arguing that ALECs should be required to rebuild the essential facilities of
15 the BellSouth network, this is, of course, the most *inefficient* means of
16 introducing local exchange competition in Florida.

17 **Q. DO EITHER OF BELLSOUTH'S WITNESSES ADDRESS THE ONLY**
18 **RECORD EVIDENCE ON TRAFFIC FLOWS, MFS-FL TESTIMONY**

1 **WHICH DEMONSTRATES THAT, IN OTHER STATES, TRAFFIC**
2 **HAS BEEN IN BALANCE?**

3 A. No. BellSouth witnesses misleadingly attempt to argue that ALEC
4 witnesses do not understand the issue of traffic flows, when in fact only
5 MFS-FL has presented concrete evidence on this issue. (Banerjee Direct at
6 25: "Mr. Devine appears not to recognize the significance of the balanced
7 traffic feature.") In lieu of responding to the direct evidence on traffic flows
8 presented by MFS-FL with its own evidence, Dr. Banerjee misleadingly
9 distorts the record by stating that MFS-FL, which has presented its practical
10 real-world evidence, is "missing the critical importance of the traffic balance
11 precondition for effective bill and keep." Banerjee Direct at 25. Dr.
12 Banerjee perhaps missed the portion of my Direct Testimony on this issue:
13 "Although incumbents often argue that, if traffic is not in balance
14 between two carriers, 'bill and keep' is an imperfect method of
15 compensation, this theory is discredited by MFS-FL's experience in
16 New York, where MFS-FL is terminating more calls from NYNEX
17 customers than NYNEX is terminating from MFS-FL customers. In
18 the face of evidence that it is terminating more minutes of
19 intercarrier traffic in New York than the incumbent LEC, and hence

1 would profit from a compensation system that measures usage, MFS-
2 FL's support for the bill and keep method of compensation is all the
3 more credible." Devine Direct at 38.

4 **Q. DOES BELLSOUTH PRESENT ITS OWN EVIDENCE ON TRAFFIC**
5 **FLOWS?**

6 **A.** No. Dr. Banerjee apparently has no evidence of traffic flows but presents
7 numerous entirely unsupported statements on the subject (In the initial phase
8 of interconnection "traffic between carriers will almost certainly be out of
9 balance." Banerjee Direct at 24); and vague theorizing ("The imbalance of
10 origination-termination ratios among certain classes of customers is a fact of
11 life, not an unusual or extreme situation.") There is no need, as Dr.
12 Banerjee suggests, "to be clairvoyant about likely traffic patterns" (Banerjee
13 Direct at 26): MFS-FL has presented unrefuted evidence of traffic flows in
14 New York that suggest that bill and keep would, if anything, accrue to the
15 benefit of BellSouth.

16 **Q. IS THERE ANY MERIT TO DR. BANERJEE'S ARGUMENT THAT**
17 **NEW ENTRANTS WILL DELIBERATELY SEEK OUT CUSTOMERS**
18 **WITH PARTICULAR TRAFFIC PROFILES?**

- 1 A. No. Dr. Banerjee (Banerjee Direct at 17-18; 29) fails to recognize that
2 ALECs can ill afford to selectively market to certain customers, assuming
3 that ALECs could somehow forecast the traffic patterns of any given
4 customer. New entrants will face significant barriers to entry into the local
5 exchange market, perhaps most significantly, the 100% market share that
6 each incumbent LEC possesses in its service territory. Despite Dr.
7 Banerjee's attempt to downplay the significance of this monopoly (Banerjee
8 Direct at 7-8), the annals of antitrust law amply demonstrate that a
9 monopoly is a potent weapon. Even after a decade of competition in the
10 long distance market, AT&T still possesses overwhelming market share in
11 that market. Add to this monopoly the ubiquitous LEC network, entrenched
12 name recognition, the possession of essential bottleneck facilities necessary
13 for competitors to provide local exchange service, and an established
14 relationship with every customer in the market, and BellSouth is a daunting
15 competitor. In light of these barriers to entry, the suggestion of Dr.
16 Banerjee that ALECs will have the luxury of turning away customers
17 because they have the wrong traffic profile is simply not realistic.
- 18 **Q. DOES BELL SOUTH INCORRECTLY SUGGEST THAT IT WILL**
19 **NOT BE COMPENSATED FOR TERMINATING ALEC CALLS?**

1 A. Yes, BellSouth states that it will not be compensated for terminating access
2 and that there will therefore be no incentive to provide certain
3 functionalities. Scheye Direct at 7. This is simply wrong. As I have just
4 explained, and as explained in the testimony of several parties, bill and keep
5 compensation is in-kind compensation: terminating access on one network
6 is exchanged for terminating access on another company's network. No
7 party has proposed that it be permitted to terminate traffic on BellSouth's
8 network without a reciprocal obligation to do the same for BellSouth.
9 Accordingly, contrary to BellSouth's claim, all carriers will have ample
10 incentive to terminate calls under a bill and keep system because if a carrier
11 expects to terminate calls on other companies' facilities, it will be expected
12 to terminate other companies' calls on its own network. Moreover, all
13 companies will be compensated by payments from their own end user
14 customers.

15 **Q. IS BILL AND KEEP A COMMON PRACTICE FOR THE**
16 **EXCHANGE OF TRAFFIC BETWEEN LECS AND INDEPENDENT**
17 **TELEPHONE COMPANIES?**

18 A. Yes. BellSouth attempts to downplay the significance of the fact that,
19 nationwide, bill and keep arrangements have been the most common

1 arrangement between LECs for the exchange of local traffic. BellSouth
2 admits that extended area calling service ("EAS") arrangements are based
3 on bill and keep. Scheye Direct at 8-9. While LECs may compensate each
4 other with terminating access charges for certain long distance or toll calls,
5 based on MFS's experience in other states, LECs prefer bill and keep as the
6 simplest form of compensation for local calls. BellSouth also tries to argue
7 that bill and keep is appropriate between adjacent LECs but not competitive
8 LECs (Scheye Direct at 10-11); unfortunately, BellSouth does not begin to
9 explain *why* bill and keep has been completely sufficient with existing
10 carriers, but would not work with new entrants.

11 **Q. IS IT TRUE, AS BELLSOUTH CLAIMS, THAT COMPENSATION**
12 **OTHER THAN IN KIND PLACES NO ADDITIONAL BILLING**
13 **REQUIREMENTS ON ALECS (SCHEYE DIRECT AT 8)?**

14 **A.** No. While ALECs may bill switched access to IXC's, they currently have
15 no billing mechanism in place with every LEC and every ALEC. Bill and
16 keep would make it unnecessary for LECs and ALECs to establish and pay
17 for the ongoing expense of such mechanisms.

18 **Q. IS IT TRUE, AS BELLSOUTH SUGGESTS, THAT CARRIERS**
19 **CANNOT DISTINGUISH BETWEEN LOCAL AND TOLL CALLS?**

1 A. BellSouth suggests that the fact that it cannot determine the originating
2 nature of traffic necessitates a system in which access charges for local and
3 toll calls are identical. Scheye Direct at 5-6. Yet Mr. Scheye states that
4 "the capability exists to both measure and bill terminating local exchange
5 traffic." Scheye Direct at 10. BellSouth also ignores the current reality that
6 Percent Interstate Use ("PIU") reports are currently utilized to distinguish
7 whether IXC traffic terminated to a LEC is interstate or intrastate. All
8 ALECs will employ advanced switching equipment that can identify the
9 origin of local and toll traffic. As MFS-FL has recommended, a similar
10 system of Percent Local Use ("PLU") reporting and auditing can therefore
11 be utilized to determine the origin of local and toll calls, including "ported"
12 calls under a system of interim number portability. To determine the proper
13 jurisdictional nature of ported calls, MFS-FL believes that the PLU
14 percentages based on call records should be applied against the total ported
15 minutes. BellSouth's argument that determining the origin of calls is
16 somehow not feasible is not based on any technical shortcoming, but is
17 rather a transparent attempt by BellSouth to promote a system based on
18 switched access charges that will impose additional costs on ALECs.

1 **Q. DOES BELLSOUTH'S COMPENSATION PROPOSAL OFFER A**
2 **VIABLE ALTERNATIVE TO BILL AND KEEP?**

3 **A. No. As I have explained above and in my Direct Testimony, BellSouth's**
4 **proposal is structured around its universal service proposal. This universal**
5 **service proposal should not be considered in this docket, as recognized by**
6 **both the Commission and the Legislature. As explained in my universal**
7 **service testimony, a universal service component should not be**
8 **contemplated until a determination has been made that a universal service**
9 **subsidy exists. Furthermore, the imposition of switched access charges, as**
10 **proposed by BellSouth, would lead to a price squeeze which could inhibit**
11 **the development of competitive local exchange service in Florida. Devine**
12 **Direct at 39-41.**

13 **Q. CAN ALECS COMPETE IF A USAGE SENSITIVE**
14 **INTERCONNECTION CHARGE IS IMPOSED IN A FLAT-RATE**
15 **ENVIRONMENT?**

16 **A. No. As demonstrated by my Direct Testimony (Devine Direct at 39-40),**
17 **and the TCG September 1 testimony referenced therein, charging switched**
18 **access rates would result in a price squeeze that would make it impossible**
19 **for ALECs to compete. Mr. Scheye argues that the TCG analysis failed to**

1 consider "revenue sources available from vertical and toll services." Scheye
2 Direct at 11. Yet, as I demonstrated in my Direct Testimony, and as
3 recognized by the Illinois Commerce Commission, the "issue is not whether
4 a new LEC ultimately can scrape together revenues from enough sources to
5 be able to afford Illinois Bell's switched access charges." *Illinois Bell*
6 *Telephone Proposed Introduction of a Trial of Ameritech's Customers First*
7 *Plan in Illinois*, Docket No. 94-0096, at 98 (Ill. Comm. Comm'n., April 7,
8 1995). ALECs must be permitted to compete in the local exchange market
9 on a stand-alone basis, and TCG's price squeeze demonstration therefore
10 remains valid.

11 **Q. IF THE COMMISSION DOES NOT ADOPT BILL AND KEEP,**
12 **WHAT IS MFS-FL'S RECOMMENDATION FOR RECIPROCAL**
13 **COMPENSATION?**

14 **A. MFS-FL recommends a reciprocal and equal per minute rate based on**
15 **BellSouth's Long Run Incremental Cost. This LRIC-based rate should not**
16 **include any contribution, despite the recommendation of BellSouth that**
17 **contribution be added to cost-based rates.**

1 **Q. WHY SHOULD BELLSOUTH NOT BE PERMITTED TO ADD**
2 **CONTRIBUTION TO LRIC IN SETTING PRICES FOR**
3 **RECIPROCAL COMPENSATION?**

4 **A.** Dr. Banerjee believes that contribution should be included in rates for
5 reciprocal compensation. Banerjee Direct at 37-53. "Contribution" is often
6 defined in the industry as the difference between the incremental cost of a
7 service and the price charged for that service. Such charges force ALECs to
8 recover from their customers not only the ALEC's own overhead costs, but
9 also a portion of BellSouth's overhead costs. This effectively insulates
10 BellSouth from the forces of competition. One of the most significant
11 benefits of competition is that it forces all market participants, including
12 BellSouth, to operate efficiently, resulting in lower rates for end users. If
13 BellSouth receives contribution -- in effect, is subsidized by its new entrant
14 competitors -- BellSouth's overhead costs will not be subjected to the full
15 benefits of competition that result from market pressures. Instead, current
16 inefficiencies in BellSouth's network will become incorporated into
17 BellSouth's price floor, locking in current inefficiencies in BellSouth's
18 operations, despite the introduction of competition. The Commission should
19 therefore not require ALECs to provide contribution in reciprocal

1 compensation rates because it would foreclose many of the potential benefits
2 of competition.

3 **Q. WHY IS BELLSOUTH'S PROPOSAL TO IMPUTE CONTRIBUTION**
4 **INTO END USER PRICES PART OF THE PROBLEM AND NOT**
5 **THE SOLUTION?**

6 A. Dr. Banerjee would guard against a price squeeze by requiring BellSouth to
7 impute contribution from unbundled elements into end user prices. Banerjee
8 Direct at 43. This is precisely the problem with requiring ALECs to pay
9 contribution: existing BellSouth efficiencies would be guaranteed to be
10 passed on to end users *ad infinitum*. The Commission should therefore reject
11 the BellSouth recommendation regarding contribution, and the supposed
12 "safeguard" of imputation as anticompetitive and anticonsumer. The MFS-
13 FL LRIC-based approach, with the appropriate pricing guidelines, is the best
14 means available to ensure that ALECs are not caught in a price squeeze, and
15 can provide competitive local exchange service on an economically viable
16 basis.

17 **Q. WHY IS BELLSOUTH'S RESPONSE TO THE FACT THAT AN**
18 **INCREASING NUMBER OF STATES ARE ADOPTING BILL AND**
19 **KEEP NOT CONVINCING?**

1 A. Because BellSouth cannot deny the simple fact that the trend among the
2 states is to adopt a bill and keep or modified bill and keep arrangement on
3 an interim basis. Devine Direct at 36-37. As even BellSouth admits
4 (Banerjee Direct at 31-36), Michigan, Washington, Iowa, California,
5 Connecticut (on an interim basis and subject to a retroactive true-up), and
6 Texas (required by statute if the parties cannot agree on another mechanism)
7 have all adopted bill and keep in some form. Some states, such as
8 California, will reevaluate this system after one year. MFS-FL believes that
9 the experience of these states will prove that bill and keep is the preferred
10 method of permanent compensation. The Washington Utilities and
11 Transportation Commission, in recently adopting interim bill and keep,
12 addressed several of the key advantages of bill and keep:

- 13 ● “It is already in use by the industry for the exchange of EAS
14 traffic.”
- 15 ● “Any potential harm would not occur until current barriers to
16 competition are eliminated and competitors gain more than a de
17 minimus market share.”

1 ● “Bill and keep offers the best opportunity to get new entrants up and
2 running, with a minimum disruption to customers and existing
3 companies.”

4 ● “We would not adopt bill and keep if it appeared that new entrant
5 ALECs would be imposing more costs on the incumbents than they
6 would be incurring by terminating incumbents’ traffic. However,
7 the opponents of bill and keep have not demonstrated that this
8 situation is likely to occur, at least in the near term when bill and
9 keep will be in place. To the contrary, the only evidence on the
10 record favors the theory that traffic will be close to balance.”

11 *Washington Utilities and Transportation Commission v. U S West*
12 *Communications, Inc.*, Docket Nos. UT-941464 et al., Fourth
13 Supplemental Order Rejecting Tariff Filings and Ordering Refiling;
14 Granting Complaints in Part, at 29-30 (October 31, 1995). MFS-FL
15 believes that these advantages make bill and keep the ideal solution
16 on an interim and a permanent basis, as well.

17 **IV. NUMBER PORTABILITY ISSUES NOT ADDRESSED IN OTHER**
18 **PROCEEDINGS**

1 **Q. WHY IS THE ISSUE OF COMPENSATION ON PORTED CALLS OF**
2 **CRITICAL SIGNIFICANCE TO ALECS?**

3 **A.** The majority of ALEC customers will initially be former LEC customers
4 utilizing interim number portability. Compensation for “ported” calls is
5 therefore a critical issue for MFS-FL and other ALECs. Devine Direct at
6 56-61. The local access provider should collect both switched access from
7 LECs and local compensation *regardless of whether a call is completed*
8 *using temporary interim number portability*. MFS-FL believes that this is
9 the only approach consistent with the Commission's goal of introducing
10 competition in the local exchange market. Only if the customers' carrier
11 collects these revenues will competition be stimulated by interim number
12 portability. Allowing the incumbent LEC to retain toll access charges for
13 calls terminated to a ported number assigned to a customer of another
14 carrier would: 1) remove any financial incentive for LECs to work towards
15 true number portability; 2) reinforce the incumbent LEC bottleneck on
16 termination of interexchange traffic, stifling potential competition in this
17 market; and 3) impede local exchange competition by preventing new
18 entrants from competing for a very significant component of the revenues
19 associated with that service, namely toll access charges. Because interim

1 number portability is necessary to bring to the public the benefits of
2 competition at this time, temporary number portability benefits all callers,
3 and is completely unrelated to the issue of compensation for terminating
4 local calls. These issues should not be mixed, and switched access
5 compensation should not vary depending on whether temporary number
6 portability is in place or not. If the customer is an ALEC customer, the
7 ALEC is entitled to switched access for that customer. BellSouth is already
8 being compensated for its costs in providing interim number portability by
9 virtue of charges imposed on ALECs; it therefore is not entitled to double
10 dip and collect again in the form of access charges from IXCs.

11 **Q. WHAT COMPENSATION ARRANGEMENT SHOULD APPLY TO**
12 **REDIRECTED CALLS UNDER TEMPORARY NUMBER**
13 **PORTABILITY?**

14 **A.** BellSouth should compensate MFS-FL as if the traffic had been terminated
15 directly to MFS-FL's network, except that certain transport elements should
16 not be paid to MFS-FL to the extent that BellSouth will be transporting the
17 call on its own network. Thus, for LATA-wide calls originating on
18 BellSouth's network and terminating on MFS-FL's network, the effective
19 inter-carrier compensation structure at the time the call is placed should

1 apply. Traffic from IXCs forwarded to MFS-FL via temporary number
2 portability should be compensated by BellSouth at the appropriate
3 intraLATA, interLATA-intrastate, or interstate terminating access rate less
4 those transport elements corresponding to the use of the BellSouth network
5 to complete the call. In other words, BellSouth should receive entrance
6 fees, tandem switching, and part of the tandem transport charges. MFS-FL
7 should receive local switching, the RIC, the CCL, and part of the transport
8 charge. (The pro-rata billing share to be remitted to MFS-FL should be
9 identical to the rates and rate levels as non-temporary number portability
10 calls.) The local exchange provider on whose switch the terminating
11 caller's number resides will bill and collect from the IXC and remit the
12 appropriate portion to the intervening LEC.

13 **Q. IS BELLSOUTH ATTEMPTING TO DEPRIVE ALECS OF THIS**
14 **SIGNIFICANT REVENUE SOURCE?**

15 **A.** Yes. If, as BellSouth suggests (Scheye Direct at 24), BellSouth bills the
16 switched access rate elements on ported calls, initially ALECs will not
17 receive switched access charges for the vast majority of their customers.
18 BellSouth takes this position with no legitimate explanation. Scheye Direct
19 at 24. This is a backdoor attempt to deprive ALECs of critical revenues to

1 which they are entitled, and would have a devastating impact on the
2 development of local competition in Florida. The BellSouth position should
3 therefore be rejected outright by the Commission. As explained in my
4 Direct Testimony (Devine Direct at 61), the Commission should also
5 address the processing and billing of ported calls to ensure that the details of
6 these issues are appropriately addressed.

7 **V. BELLSOUTH'S PROPOSED CO-CARRIER ARRANGEMENTS**
8 **WOULD NOT PERMIT COMPETITION TO DEVELOP AS**
9 **RECOMMENDED BY THE LEGISLATURE**

10 **Q. PLEASE SUMMARIZE THE MFS-FL DEFAULT NETWORK**
11 **INTERCONNECTION POINT ("D-NIP") PROPOSAL?**

12 A. As I have described more fully at pages 23 through 26 of my Direct
13 Testimony, FS-FL proposes that, within each LATA served, MFS-FL and
14 BellSouth would identify a wire center to serve as the interconnection point
15 (as MFS-FL defines herein Default Network Interconnection Point
16 ("D-NIP")) at which point MFS-FL and BellSouth would interconnect their
17 respective networks for inter-operability within that LATA. Where MFS-
18 FL and BellSouth interconnect at a D-NIP, MFS-FL would have the right to
19 specify any of the following interconnection methods: a) a mid-fiber meet at

1 the D-NIP or other appropriate point near to the D-NIP; b) a digital cross-
2 connection hand-off, DSX panel to DSX panel, where both MFS-FL and
3 BellSouth maintain such facilities at the D-NIP; or c) a collocation facility
4 maintained by MFS-FL, BellSouth, or by a third party.

5 Although one meet-point is the minimum necessary for connectivity,
6 more than one meet-point could be established if mutually acceptable, but
7 should not be mandated. Moreover, if an additional mutually acceptable
8 meet-point is established, the cost of terminating a call to that meet-point
9 should be identical to the cost of terminating a call to the D-NIP. At a
10 minimum, each carrier should be required to establish facilities between its
11 switch(es) and the D-NIP in each LATA in sufficient quantity and capacity
12 to deliver traffic to and receive traffic from other carriers.

13 **Q. WHY IS THE MFS-FL PROPOSAL THE MOST EFFICIENT ONE?**

14 **A. MFS-FL's proposal permits the interconnecting parties—who understand**
15 **their networks best and have the greatest incentive to achieve**
16 **efficiencies—to determine where interconnection should take place, while**
17 **establishing minimum interconnection requirements. Devine Direct at 26.**
18 **If carriers are not given flexibility as to where they can interconnect,**

1 inefficiencies will result. MFS-FL would therefore oppose any proposal
2 that does not permit carriers to maximize the efficiency of their networks.

3 **Q. DOES BELLSOUTH ACCEPT THE MFS-FL DEFAULT NETWORK**
4 **INTERCONNECTION POINT (“D-NIP”) PROPOSAL?**

5 **A.** No. BellSouth’s proposal rigidly establishes meet points for all ALECs that
6 may or may not be the most efficient arrangement had the decision been left
7 to the parties. BellSouth proposes that interconnection take place at the
8 access tandem and end office level. This arrangement is entirely based upon
9 efficiencies of the BellSouth network, and fails to take into account what
10 would be most efficient for any given ALEC. Mr. Scheye states that “the
11 RBOC deployment of access tandems considered to provide [sic] the
12 minimal number of points of connection” for interexchange carriers at
13 divestiture. Scheye Direct at 30. MFS-FL believes that the goal is not to
14 minimize the number of interconnection points, but rather to maximize the
15 efficiency of the system for LECs and ALECs alike. The Commission
16 should therefore follow the lead of the Connecticut Department of Utility
17 Control (Devine Direct at 26) and adopt the MFS-FL D-NIP interconnection
18 proposal.

1 **Q. HOW DOES MFS-FL'S POSITION ON COLLOCATION DIFFER**
2 **FROM THAT OF BELLSOUTH?**

3 **A. BellSouth should enable MFS-FL to directly interconnect to any other entity**
4 **that maintains a collocation facility at the same BellSouth wire center at**
5 **which MFS-FL maintains a collocation facility, by effecting a cross-**
6 **connection between those collocation facilities, as jointly directed by MFS-**
7 **FL and the other entity. For each such cross-connection, BellSouth should**
8 **charge both MFS-FL and the other entity one-half the standard tariffed**
9 **special access cross-connect rate. BellSouth would not permit such**
10 **interconnection between two collocated entities. Scheye Direct at 28-29.**
11 **BellSouth's refusal to permit such cross-connection is designed to and would**
12 **impose undue costs on ALECs by refusing cross-connection of adjacent,**
13 **virtually collocated facilities. BellSouth states that this key interconnection**
14 **issue is somehow "beyond the scope of this [interconnection] proceeding."**
15 **Scheye Direct at 29. The New York Public Service Commission, however,**
16 **in its Competition II interconnection proceeding did not take this view when**
17 **it recently required LECs to permit cross-connection between adjacently**
18 **collocated ALECs. The Commission should not permit BellSouth to impose**
19 **inefficiencies on all ALECs and should likewise require BellSouth to permit**

1 such cross-connection. Moreover, where an interconnection occurs via a
2 collocation facility, no incremental cross-connection charges would apply
3 for the circuits. Upon reasonable notice, MFS-FL would be permitted to
4 change from one interconnection method to another with no penalty,
5 conversion, or rollover charges.

6 **Q. DO THE MEET-POINT BILLING ARRANGEMENTS FOR**
7 **TRANSITING TRAFFIC PROPOSED BY BELL SOUTH PROVIDE**
8 **REASONABLE CO-CARRIER TREATMENT TO ALECS?**

9 **A.** No. Although BellSouth accepts the idea of meet-point billing when calls
10 transit through BellSouth en route from one carrier to another, BellSouth
11 does not accept the fact that, where tandem subtending arrangements exist,
12 LECs and ALECs should follow the meet-point billing formula of the
13 Ordering and Billing Forum ("OBF"). Scheye Direct at 14. As I explained
14 in my Direct Testimony (Devine Direct at 16-18), LECs currently divide the
15 local transport revenues under a standard "meet-point billing" OBF formula.
16 These same meet-point billing procedures should apply where the tandem or
17 end office subtending the tandem is operated by an ALEC as in the case of
18 an adjoining LEC. BellSouth's failure to accept these guidelines for ALECs

1 would be discriminatory and inconsistent with the idea that ALECs should
2 be treated as equal co-carriers.

3 **Q. IS THE BELLSOUTH DIRECTORY ASSISTANCE PROPOSAL**
4 **ACCEPTABLE TO MFS-FL?**

5 **A. MFS-FL cannot accept the BellSouth proposal that directory assistance**
6 **storage charges be assessed to ALECs. Scheye Direct at 17-18. A single**
7 **directory assistance database is in the public interest, and ALEC customers**
8 **should therefore not be assessed any charges that are not likewise assessed**
9 **to BellSouth customers. This is simply another attempt by BellSouth to**
10 **raise the cost for ALECs to provide competitive service. The MFS-FL**
11 **positions on directory assistance -- including its requests for branded and**
12 **unbranded directory assistance, on-line access to BellSouth's directory**
13 **assistance database, licensing of BellSouth's directory assistance database,**
14 **and caller optional directory assistance call completion service -- are fully**
15 **explained in my earlier testimony. Devine Direct at 53-54.**

16 **Q. DO YOU FIND THE BELLSOUTH DIRECTORY LISTINGS**
17 **PROPOSAL TO BE ACCEPTABLE?**

18 **A. No. BellSouth does not guarantee that MFS-FL customers will receive the**
19 **same nondiscriminatory treatment as BellSouth customers on this issue. For**

1 example, BellSouth does not state whether its charges for an initial Yellow
2 Pages listing would be comparable to charges offered to BellSouth end
3 users. BellSouth does not address the issue of Yellow Pages maintenance,
4 The MFS-FL proposal for nondiscriminatory treatment with respect to
5 directory listings is fully detailed in my Direct Testimony. Devine Direct at
6 51-52, 54-55.

7 **Q. DOES BELLSOUTH RECOGNIZE ITS RESPONSIBILITY TO**
8 **PROVIDE NUMBER RESOURCES TO ALECS ON A**
9 **NONDISCRIMINATORY BASIS?**

10 **A.** As a co-carrier, MFS-FL is entitled to the same nondiscriminatory number
11 resources as any Florida LEC under the Central Office Code Assignment
12 Guidelines ("COAG"). BellSouth, as Central Office Code Administrator
13 for Florida, should therefore support all MFS requests related to central
14 office (NXX) code administration and assignments in an effective and timely
15 manner. MFS-FL and BellSouth should comply with code administration
16 requirements as prescribed by the Federal Communications Commission, the
17 Commission, and accepted industry guidelines. BellSouth appears to
18 recognize this responsibility. Scheye Direct at 25. The MFS-FL position

1 on this issue is fully stated in my Direct Testimony. Devine Direct at 14-
2 15.

3 **Q. WHY DOES MFS-FL BELIEVE THAT THE ISSUES OF STANDARDS**
4 **FOR COORDINATED REPAIR CALLS, INFORMATION PAGES,**
5 **AND OPERATOR REFERENCE DATABASE UPDATES MUST BE**
6 **ADDRESSED IN THIS PROCEEDING?**

7 **A. MFS-FL believes that the prompt resolution of these issues will be essential**
8 **to establishing co-carrier status. I have described these issues in detail in**
9 **my Direct Testimony. Devine Direct at 55-56. BellSouth would prefer to**
10 **leave these issues to the negotiation process. Scheye Direct at 24. As I**
11 **have discussed, to date, MFS-FL has found BellSouth to be intransigent in**
12 **negotiations on co-carrier issues. Moreover, there is no incentive for**
13 **BellSouth to negotiate an expeditious resolution of these issues. The**
14 **experience of MFS-FL affiliates in other states suggests that these issues**
15 **will *not* be easily resolved through negotiations, nor does MFS-FL believe**
16 **that the complaint procedures should be relied upon to resolve issues that the**
17 **parties have already identified as contentious issues. Scheye Direct at 24.**
18 **MFS-FL therefore recommends that these issues be addressed by the**
19 **Commission in the manner described in my Direct Testimony.**

1 **Q. HAS MFS-FL STATED ITS POSITION ON THE ISSUES OF THE**
2 **EXCHANGE OF INTRALATA 800 TRAFFIC, 911/E911**
3 **PROVISIONING, OPERATOR TRAFFIC, INCLUDING BLV/I, THE**
4 **BILLING AND CLEARING OF CREDIT CARD, COLLECT, THIRD**
5 **PARTY AND AUDIOTEXT CALLS, AND ARRANGEMENTS TO**
6 **ENSURE THE PROVISION OF CLASS/LASS SERVICES?**

7 **A. Yes. MFS-FL has filed its Direct Testimony that fully states its position on**
8 the issues of the exchange of intraLATA 800 traffic (Devine Direct at 70);
9 911/E911 provisioning (Devine Direct at 47-48); operator traffic, including
10 BLV/I (Devine Direct at 52); the billing and clearing of credit card, collect,
11 third party and audiotext calls (Devine Direct at 49-50); and arrangements
12 necessary to ensure the provision of CLASS/LASS services (Devine Direct
13 at 27-30). The MFS-FL recommendations and requirements with respect to
14 each of these issues, as well as each of the other issues in this docket, are
15 fully detailed in this prior Direct Testimony.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A. Yes, it does.**

EXHIBIT TTD-5

November 20, 1995

U 1001 C
Advice Letter No. 17879

Advice Letter Compliance Filing for Co-Carrier Interconnection Agreement
Public Utilities Commission of the State of California

Pacific Bell (Pacific) attaches for filing the Co-Carrier
Interconnection Agreement appended hereto.

We are submitting this Agreement in compliance with Decision
No. 95-07-054, July 24, 1995, mimeo, p. 37, where the Commission said:

"Accordingly, in those cases where CLCs are able to reach mutually agreeable terms and conditions for interconnection including compensation, the negotiating parties are free to execute such interconnection agreements without the need for Commission-imposed rules on terms and conditions.*

*Footnote 8. Commission approval of such mutually agreed on interconnection and compensation arrangement should be sought via an advice letter. Commission review will ensure that the arrangement is not unduly discriminatory nor anti-competitive."

The Co-Carrier Interconnection Agreement with MFS Intelenet of California, Inc. (MFS) is an important step in establishing local competition in California. It covers the following important areas:

-It allows immediate interconnection of MFS and Pacific networks for the exchange of local calls in a seamless manner. It calls for the use of "one-way" trunk groups by MFS and Pacific to facilitate network management, and establishes mutually agreed to meet points for interconnection.

-MFS will match the Commission approved "rating areas" for the rating of local and toll calls in Pacific's serving area. MFS will have access to NXX codes, and Pacific will not charge MFS for opening these codes in Pacific's switches.

-MFS will jointly provide switched access to allow customers and interexchange carriers to complete, or originate, toll calls over the MFS and Pacific networks. The Agreement provides for the sharing of switched access charges consistent with industry standards for jointly provided switched access services.

-Pacific and MFS have agreed to reciprocal compensation for local traffic at a rate of \$.0075 per minute. Rates comparable to Pacific's switched access rates will apply for the completion of intraLATA toll calls, and a rate of \$.0087 per minute applies to calls completed through interim number portability services.

-Pacific will allow access to a number of its support services under the Agreement. Access to E911, directory assistance, directory listing and call referral services is permitted. Additional services covering 900/976, and certain operator functions are also addressed.

-Resale of Pacific's unbundled links (loops) is also permitted beginning April 1, 1996. Prices are established for business and residence links based on geographic zones in California. The Zone 1 Basic Business Link rate is \$12.50 (including EUCL and CCL component). In addition, Pacific and MFS have agreed to non-recurring charges and coordination process for installation of Links.

-Interim number portability is provided through Pacific's Directory Number Call Forwarding Service (DNCF) at a rate of \$3.25 per month. In addition, non-recurring charges have been agreed upon.

The revenue effects of this Agreement on Pacific are uncertain and will depend upon a number of factors and future events. For that reason, we can only provide an estimated range of revenue effect. Pacific's estimate of that range is a loss of (annual effect) (\$9M - \$14M). This estimate is for this contract only, and does not include the broader revenue effects of local competition and related events.

Consistent with the Commission's contracting rules, Pacific will make the terms and conditions of this filing available to similarly situated CLCs for interconnection to Pacific's network.

In compliance with Section III.G of General Order No. 96-A, we are mailing a copy of this advice letter and Agreement to competing and adjacent Utilities and/or other Utilities, and interested parties. In addition, we are mailing copies to parties (lists attached) who filed testimony or comments in the Commission's Local Competition (R.95-04-043), Universal Service (R.95-01-020) or OANAD (R.93-04-003) proceedings.

This filing will not increase any existing rate or charge, cause the withdrawal of service nor conflict with any other schedules or rules.

Anyone may protest this advice letter to the California Public Utilities Commission. The protest must set forth the specific grounds on which it is based, including such items as financial and service impact. A protest must be made in writing and received within 20 days of the date this advice letter was filed with the Commission. The address for mailing or delivering a protest to the Commission is:

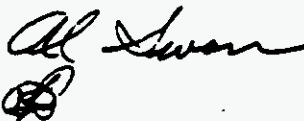
Chief, CACD Telecommunications Branch
505 Van Ness Avenue, Room 3203
San Francisco, CA 94102

A copy must be mailed to the undersigned utility on the same date it is mailed or delivered to the Commission.

We ask that this advice letter become effective January 1, 1996.

Yours truly,

PACIFIC BELL



Executive Director

Attachments

CO-CARRIER AGREEMENT

NOVEMBER 17, 1995

Pursuant to this Co-Carrier Agreement ("Agreement"), MFS Intelenet of California, Inc. ("MFS") and Pacific Bell ("Pacific") (collectively, "the Parties") will extend certain arrangements to one another within each LATA in which they both operate within the State of California, as described and according to the terms, conditions and pricing specified hereunder. This Agreement is an integrated package that reflects a balancing of interests critical to the Parties. It will be submitted to the California Public Utilities Commission as a compliance filing, and the Parties will specifically request that the Commission refrain from taking any action to change, suspend or otherwise delay implementation of the Agreement. So long as the Agreement remains in effect, the Parties shall not advocate before any legislative, regulatory, or other public forum that any terms of this specific Agreement be modified or eliminated. Notwithstanding this mutual commitment, however, the Parties enter into this Agreement without prejudice to any positions they have taken previously, or may take in the future in any legislative, regulatory, or other public forum addressing any matters, including matters related to the types of arrangements prescribed by this Agreement.

I. RECITALS & PRINCIPLES

WHEREAS, universal connectivity between competing common carriers is necessary for the termination of traffic on each carrier's network; and

WHEREAS, absent such connectivity the utility of communications services to individual consumers and to society as a whole would be severely and unnecessarily diminished; and

WHEREAS, the Parties should be able to efficiently, flexibly, and robustly exchange traffic and signalling at well-defined and standardized points of mutually agreed interconnection; and

WHEREAS, the Parties acknowledge that the terms and conditions herein represent a balancing of interests critical to the parties, and for that reason will, unless otherwise agreed, implement this Agreement as an integrated package without alteration of any material term or condition, or the inclusion or deletion of terms and conditions that would serve to alter a material term or condition herein;

NOW, THEREFORE, in consideration of the mutual provisions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MFS and Pacific hereby covenant and agree as follows:

II. DEFINITIONS

- A. "Automatic Number Identification" or "ANI" is a Feature Group D signalling parameter which refers to the number transmitted through the network identifying the billing number of the calling party.**
- B. "Calling Party Number" or "CPN" is a Common Channel Signalling parameter which refers to the number transmitted through the network identifying the calling party.**

- C. **"Central Office Switch", "Central Office" or "CO" means a switching entity within the public switched telecommunications network, including but not limited to:**

"End Office Switches" which are Class 5 switches from which end user Exchange Services are directly connected and offered.

"Tandem Office Switches" which are Class 4 switches which are used to connect and switch trunk circuits between and among Central Office Switches.

Central Office Switches, may be employed as combination End Office/Tandem Office switches (combination Class 5/Class 4).

- D. **"CLASS Features" mean certain CCS-based features available to end users. CLASS features include, but are not necessarily limited to: Automatic Call Back; Call Trace; Caller ID and Related Blocking Features; Distinctive Ringing/Call Waiting; Selective Call Forward; Selective Call Rejection.**

- E. **"Commission" means the California Public Utilities Commission.**

- F. **"Common Channel Signalling" or "CCS" means a method of digitally transmitting call set-up and network control data over a special network fully separate from the public switched network elements that carry the actual call.**

- G. "Cross Connection" means an intra-wire center channel connecting the Parties' separate pieces of telecommunications equipment.**
- H. "Directory Number Call Forwarding" or "DNCF" means an interim form of Service Provider Number Portability ("SPNP") which is provided through existing and available call routing and call forwarding capabilities. DNCF will forward calls dialed to an original telephone number to a new telephone number on a multi-path basis. DNCF is not limited to listed directory numbers.**
- I. "DS-1" is a digital signal rate of 1.544 Mbps (Mega Bits Per Second).**
- J. "DS-3" is a digital signal rate of 44.736 Mbps.**
- K. "Electronic File Transfer" refers to any system/process which utilizes an electronic format and protocol to send/receive data files.**
- L. "Exchange Message Record" or "EMR" is the standard used for exchange of telecommunications message information among Local Exchange Carriers for billable, non-billable, sample, settlement and study data. EMR format is contained in BR-010-200-010 CRIS Exchange Message Record, a Bellcore document which defines industry standards for exchange message records.**
- M. "Exchange Service" means a service offered to end users which provides the end user with a telephonic connection to, and a unique local telephone number address on, the public switched telecommunications network, and which enables such end user to generally place calls to, or**

receive calls from, other stations on the public switched telecommunications network. Exchange Service includes basic residence and business line service, PBX trunk line service, pay phone line service, Centrex line service and ISDN line services. Exchange Service does not include Private Line, Toll, Switched and Special Access services.

- N. "Expanded Interconnection Service" or "EIS" is the physical collocation arrangement which Pacific provides in its designated Pacific wire centers, and shall have the same meaning as set forth in Pacific's CPUC Tariff 175-T, Sec. 16 (Advice Letter No. 17501). Under this Agreement, EIS services shall be governed by this state contract and services shall be purchased under state EIS tariffs.
- O. "Expanded Interconnection Service-Cross Connection" or "EISCC" is Pacific's cross connection service it provides in conjunction with EIS, and shall have the same meaning as set forth in Pacific's CPUC Tariff 175-T, Sec. 16 (Advice Letter No. 17501). Under this Agreement, EISCC services shall be governed by this state contract and services shall be purchased under state EIS tariffs.
- P. "Interconnection" means the connection of separate pieces of equipment, transmission facilities, etc., within, between or among networks. The architecture of interconnection may include several methods including, but not limited to, collocation arrangements.
- Q. "Interexchange Carrier" or "IXC" means a provider of stand-alone interexchange telecommunications services.

- R. **"ISDN" means Integrated Services Digital Network, which is a switched network service providing end-to-end digital connectivity for the simultaneous transmission of voice and data. Basic Rate Interface-ISDN (BRI-ISDN) provides for digital transmission of two 64 Kbps bearer channels and one 16 Kbps data channel (2B + D).**
- S. **"Link" means a service whereby Pacific will provide transport between the Minimum Point of Entry (MPOE) at an end user premise and the Pacific wire center from which the transport is extended. The Link is connected within Pacific's wire center by an EISCC to an EIS, solely to provide an authorized Exchange Service to the end user. Links are technology neutral and the Link purchaser is not permitted to specify any technology type so long as Links meet the specifications set forth herein. The following types of Links will be provided:**

"Basic Link": A Basic Link provides a two wire circuit or equivalent voice frequency channel for the transmission of analog signals with an approximate bandwidth of 300 to 3000 Hz (POTS grade). Basic Links have an expected measured loss of approximately -8 dB. Within the 300 to 3000 Hz. range, Basic Links will support repeat loop start, loop reverse battery, or ground start seizure and disconnect in one direction (toward the end office switch), and repeat ringing in the other direction (toward the end user).

"ISDN Link": An ISDN Link provides a 2-wire ISDN digital grade connection that will support digital transmission of two 64 Kbps clear channels and one 16 Kbps data channel (2B+D), suitable for provision of BRI-ISDN service. ISDN Links will have the electrical

attributes such that BRI-ISDN could be provided with the ISDN Link if it were used in conjunction with Pacific's network and switches in cases which require no special electronics for loop extension (typically beyond 12000 feet). MFS may design its own methods for loop extension and will implement those at its own cost or may purchase from Pacific any methods used by Pacific which do not require Pacific's switch functionality.

- T. "Local Exchange Carrier" or "LEC" and "Competitive Local Carrier" or "CLC" shall have the meanings as set forth in the Commission's Rules for Local Competition, D. 95-07-054, App. A Sections 3.A and B, respectively.
- U. "Meet-Point Billing" or "MPB" refers to an arrangement whereby two LECs (including a LEC and a CLC) jointly provide the transport element of a switched access service to one of the LEC's (or CLC's) end office switches, with each LEC (or CLC) receiving an appropriate share of the transport element revenues as defined by their effective access tariffs.
- V. "MECAB" refers to 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 access service provided by two or more LECS (including a LEC and a CLC), or by one LEC in two or more states within a single LATA.

- W. **"MECOD" refers to 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 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 MECOD document, published by Bellcore as Special Report SR STS-002643, establishes methods for processing orders for access service which is to be provided by two or more LECs (including a LEC and a CLC).**
- X. **"Multiple Bill/Multiple Tariff method" means the meet-point billing method where each LEC (or CLC) prepares and renders its own meet point bill to the IXC in accordance with its own tariff for that portion of the jointly-provided Switched Access Service which the LEC (or CLC) provides. The industry's MECAB documents refer to this method as "Multiple Bill/Single Tariff".**
- Y. **"NANP" means the "North American Numbering Plan", the system of telephone numbering employed in the United States, Canada, and certain Caribbean countries.**
- Z. **"Numbering Plan Area" or "NPA" is also sometimes referred to as an area code. This is the three digit indicator which is defined by the "A", "B", and "C" digits of each 10-digit telephone number within the North American Numbering Plan ("NANP"). Each NPA contains 800 possible NXX Codes. There are two general categories of NPA, "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" (SAC Code) is typically associated with a specialized telecommunications service which may be provided across multiple geographic NPA areas; 500, 800, 900, 700, and 888 are examples of Non-Geographic NPAs.

- AA. "NXX", "NXX Code", "Central Office Code" or "CO Code" is the three digit switch entity indicator which is defined by the "D", "E", and "F" digits of a 10-digit telephone number within the North American Numbering Plan ("NANP"). Each NXX Code contains 10,000 station numbers. Historically, entire NXX code blocks have been assigned to specific individual local exchange end office switches.
- BB. "Permanent Number Portability" means an industry (including Pacific and MFS)-agreed to, government-mandated, or Commission-approved long term solution to provide Service Provider Number Portability to customers who wish to retain their existing telephone numbers when changing carriers.
- CC. "Rate Center" means the specific geographic point and corresponding geographic area which are associated with one or more particular NPA-NXX codes which have been assigned to a LEC (or CLC) for its provision of Exchange Services. The "rate center point" is the finite geographic point identified by a specific V&H coordinate, which is used to measure distance-sensitive end user traffic to/from the particular NPA-NXX designations associated with the specific Rate Center. The "rate center area" is the exclusive geographic area identified as the area within which

the LEC (or CLC) will provide Exchange Services bearing the particular NPA-NXX designations associated with the specific Rate Center. The Rate Center point must be located within the Rate Center area.

DD. "Routing Point" means a location which a LEC or CLC has designated on its own network as the homing (routing) point for traffic inbound to Exchange Services provided by the LEC or CLC which bear a certain NPA-NXX designation. The Routing Point is employed to calculate mileage measurements for the distance-sensitive transport element charges of Switched Access Services. Pursuant to Bellcore Practice BR 795-100-100, the Routing 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 above referenced Bellcore document refers to the Routing Point as the Rating Point. The Rating Point/Routing Point need not be the same as the Rate Center Point, nor must it be located within the Rate Center Area, but must be in the same LATA as the NPA-NXX.

EE. "Service Provider Number Portability" or "SPNP" means the technical ability to enable an end user customer to utilize its telephone number within its current LEC or CLC wire center serving area, in conjunction with a technically compatible Exchange Service provided by any duly authorized LEC or CLC, regardless of whether the customer's chosen LEC or CLC is the carrier which originally assigned the number to the customer.

- FF. "Signal Transfer Point" or "STP" performs a packet switching function that routes signalling messages among Service Switching Points (SSPs), Service Control Points (SCPs), Signalling Points (SPs), and other STPs in order to set up calls and to query databases for advanced services.**
- GG. "Switched Access Service" means the offering of facilities for the purpose of the origination or termination of traffic to or from Exchange Services offered in a given area. Switched Access Services include: Feature Group A, Feature Group B, Feature Group D, 800 access, and 900 access. Switched Access does not include services offered over LISA and JANE facilities.**
- HH. "Wire Center" denotes a building or space within a building which serves as an aggregation point on a given carrier's network, where transmission facilities and circuits are connected or switched. Wire center can also denote a building in which one or more central offices, used for the provision of Exchange Services and access services, are located. However, for purposes of EIS, Wire Center shall mean those points eligible for such connections as specified in the FCC Docket No. 91-141, and rules adopted pursuant thereto.**
- II. "Local Interconnection Service Arrangement" (LISA) provides for the termination of local exchange and IntraLATA telephone traffic from MFS' network to Pacific's network. While LISA connections are configured as one-way trunks for traffic transmission, they will be two-way trunks for testing purposes. LISA provides the transmission path, tandem switching and/or end office switching, and end user termination functions to complete telephone communications from MFS' customers to Pacific's**

customers and customers of other LECs, CLCs, or wireless service providers that may be connected to Pacific's tandem switches in the LATA. LISA must be provided through separate trunk groups as specified herein. LISA does not provide connection to E911 or other services, except as specified herein. LISA is only provided where facilities and operating conditions permit, provided, each Party shall exercise reasonable steps to provide the facilities and services described herein.

JJ. "JANE" is the local interconnection service arrangement that provides for the termination of local exchange and IntraLATA telephone traffic from Pacific to MFS' network. While JANE connections are configured as one-way trunks for traffic transmission, they will be two-way trunks for testing purposes. JANE provides those functions necessary to complete telephone communications from Pacific's customers and customers of other LECs, CLCs, or wireless service providers that may be connected to Pacific's tandem switches in the LATA, to MFS' customers. It will be offered on the same general terms and conditions as described above in the definition of LISA.

III. NETWORK INTERCONNECTION-ARCHITECTURE

The Parties shall interconnect the trunk groups specified in Parts V., VI., and VII.(A)., as defined below.

A. In each LATA identified below, the correspondingly identified Pacific and MFS wire centers shall serve as the Initial LISA Interconnection Point ("ILIP") and Initial JANE Interconnection Point ("JIP"), respectively, at which Pacific and MFS will interconnect their networks for interoperability within that LATA.

<u>LATA</u>	<u>ILIP</u>	<u>JIP</u>
San Francisco LATA 722	SNFCCA21 611 Folsom St. San Francisco, Ca	SNFCCASK 525 Market St., 6th Flr San Francisco, Ca
San Diego LATA 732	SNDGCA02 650 Robinson Ave. San Diego, Ca	SNDACADJ 10065 Barnes Canyon Rd. San Diego, Ca
Los Angeles LATA 730	LSANCA04 Los Angeles, Ca	LSANCATH 1149 S. Broadway, 2nd fl Los Angeles, Ca

B. MFS shall interconnect to MPB circuits, LISA trunk circuits, and E9-1-1 circuits at the ILIP, pursuant to Sections V., VI., and VII.(A) of this Agreement, respectively, through a digital hand-off at the EIS arrangement MFS maintains at each ILIP wire center. MFS shall purchase an appropriate EISCC service in order to interconnect to those trunk groups. Alternatively, MFS may interconnect to those trunk groups at the ILIP by purchasing Pacific's Special Access and, if requested, multiplexing services.

C. Pacific shall interconnect to JANE trunk circuits at the IJIP pursuant to Section VI. of this Agreement. MFS shall provide sufficient space at or near the Minimum Point of Entry (MPOE) Pacific maintains in the IJIP wire center in order for Pacific to establish a JANE point of presence, from which Pacific may purchase cross-connection services for interconnection to the JANE trunk groups. MFS shall charge Pacific a monthly recurring charge of \$100.00 per rack for the JANE point of presence at each IJIP. The JANE cross connection charges shall be equal to the facility level-equivalent EISCC charges Pacific applies to MFS for LISA connections. Alternatively, Pacific may interconnect to those trunk groups at the IJIP by purchasing MFS' Special Access and, if requested, multiplexing services.

D. In the event MFS determines to offer Exchange Services in any other LATA in which Pacific also offers Exchange Services, MFS shall provide written notice to Pacific of the need to establish arrangements pursuant to this Agreement in such LATA. Such notice shall include the date on which MFS requires activation of the arrangements in that LATA, and shall be provided not less than four (4) months in advance of that date. Unless expressly agreed otherwise by the Parties in advance, one Pacific and one MFS wire center will be designated as ILIP and IJIP, respectively, in each new LATA as follows:

- 1. The Pacific wire center within the LATA at which MFS maintains a collocation facility shall be designated as the ILIP for the LATA. In the event MFS maintains collocation facilities at more than one Pacific wire center in the LATA at the time MFS' notice is delivered to Pacific, the co-located Pacific wire center which at that time**

handles the greatest amount of switched access traffic shall be designated as the ILIP for the LATA. MFS shall interconnect to Pacific at the ILIP in the manner described in sub-paragraph B above.

2. The MFS wire center within the LATA which is selected by Pacific shall be designated as the IJIP for the LATA. Where practical, the MFS wire center which MFS has designated as its initial Routing Point for NXX codes in that LATA shall serve as the IJIP for the LATA. Pacific's interconnection at the IJIP shall be in the manner described in sub-paragraph C above.

MFS' notice to Pacific shall identify the Pacific wire center it expects to employ as ILIP pursuant to the above. Likewise, such notice shall also identify the MFS wire center which MFS has designated as its initial Routing Point for NXX codes in the LATA. Within 10 business days of receiving MFS' notice, Pacific shall provide a written notice back to MFS confirming the ILIP and IJIP or stating reasons why the ILIP may not be appropriate and proposing an alternative.

IV. NUMBER RESOURCE ARRANGEMENTS

- A. Nothing in this Agreement shall be construed to in any manner limit or otherwise adversely impact either Party's right to request and be assigned any NANP number resources including, but not limited to, central office (NXX) codes pursuant to the Central Office Code Assignment Guidelines (last published by the Industry Numbering Committee ("INC") as INC 95-0407-008, Revision 4/7/95, formerly ICCF 93-0729-010).

- B. For the term of this Agreement, MFS shall adopt the Rate Center areas and Rate Center points that the Commission has approved for Pacific whenever MFS offers Exchange Services in an area in which Pacific is the incumbent LEC, and shall assign whole NPA-NXX codes to each Rate Center.**
- C. MFS will also designate a Routing Point for each assigned NXX code. MFS may designate one location within each Rate Center as the Routing Point for the NPA-NXXs associated with that Rate Center; alternatively, MFS may designate a single location within one Rate Center to serve as the Routing Point for all the NPA-NXXs associated with that Rate Center and with one or more other Rate Centers served by MFS within the same LATA.**
- D. To the extent Pacific serves as Central Office Code Administrator for a given region, Pacific will support all MFS requests related to central office (NXX) code administration and assignments in the manner required and consistent with the Central Office Code Assignment Guidelines.**
- E. The Parties will comply with code administration requirements as prescribed by the Federal Communications Commission, the Commission, and accepted industry guidelines.**
- F. It shall be the responsibility of each Party to program and update its own switches and network systems pursuant to the Local Exchange Routing Guide (LERG) guidelines to recognize and route traffic to the other**

Party's assigned NXX codes at all times. Neither Party shall impose any fees or charges whatsoever on the other Party for such activities.

- G. Each Party shall be responsible for notifying its customers of any changes in dialing arrangements due to NPA exhaust.**

V. MEET-POINT BILLING ARRANGEMENTS

A. Description

- 1. Meet-point billing ("MPB") arrangements shall be established between the Parties to enable MFS to provide, at its option, Switched Access Services to third parties via a Pacific access tandem switch, in accordance with the Meet-Point Billing guidelines adopted by and contained in the Ordering and Billing Forum's MECAB and MECOD documents, except as modified herein. In the case of Switched Access Services provided through Pacific's Access Tandem, Pacific will not offer blocking capability for interexchange carrier traffic delivered to Pacific's tandem for completion on MFS' network. Pacific and MFS understand and agree that MPB arrangements are available and functional only to/from interexchange carriers who directly connect with the tandem(s) that MFS sub-tends in each LATA. In no event will Pacific be required to route such traffic through more than one tandem for connection to/from an interexchange carrier. Pacific shall have no responsibility to ensure that any Interexchange Carrier will accept traffic MFS directs to the Interexchange Carrier.**

2. **Except in instances of capacity limitations, Pacific shall permit and enable MFS to sub-tend the Pacific access tandem switch(es) nearest to the MFS Routing Point(s) associated with the NPA-NXX(s) to/from which the Switched Access Services are homed. In instances of capacity limitation at a given access tandem switch, MFS shall be allowed to sub-tend the next-nearest Pacific access tandem switch in which sufficient capacity is available.**
3. **Interconnection for the MPB arrangement shall occur at the ILIP, consistent with the terms and conditions herein. Switched Access EISCC charges shall apply to the MPB connection where such connection is made through EIS.**
4. **Common channel signalling ("CCS") shall be utilized in conjunction with meet-point billing arrangements to the extent such signalling is resident in the Pacific access tandem switch.**
5. **MFS and Pacific will use their best reasonable efforts, individually and collectively, to maintain provisions in their respective federal and state access tariffs, and/or provisions within the National Exchange Carrier Association ("NECA") Tariff No. 4, or any successor tariff, sufficient to reflect this meet-point billing arrangement, including meet-point billing percentages.**
6. **As detailed in the MECAB document, MFS and Pacific will in a timely fashion exchange all information necessary to accurately, reliably and promptly bill third parties for Switched Access Services traffic jointly handled by MFS and Pacific via the meet point**

arrangement. Information shall be exchanged in Electronic Message Record ("EMR") format on magnetic tape or via a mutually acceptable electronic file transfer protocol.

7. MFS and Pacific shall employ the calendar month billing period for meet-point billing, and shall provide each other, at no charge and once a month (unless otherwise mutually agreed between the Parties), the switched access detailed usage data. Pacific will provide MFS with the switched access detailed usage data within 10 days of the end of the calendar month billing period. MFS will provide to Pacific the switched access summary usage data within 45 days of receipt from Pacific of the switched access detailed usage data.
8. MPB will not apply for calls redirected from Pacific's switched access to Pacific's DNCF service over JANE trunks to MFS. Instead, Pacific shall retain all of the switched access charges associated with this traffic and MFS shall receive Reciprocal Compensation as provided in Section VI. below.

B. Compensation

1. Billing to 3rd-parties (including any future interexchange entities operated by Pacific or its affiliates) for the Switched Access Services jointly provided by MFS and Pacific via the meet-point billing arrangement shall be according to the multiple-bill/multiple-tariff method. However, upon mutual agreement, Pacific will also bill jointly provided switched access services through a single

bill/multiple tariff arrangement. Switched Access charges to 3rd-parties shall be calculated utilizing the rates specified in MFS' and Pacific's respective federal and state access tariffs, in conjunction with the appropriate meet-point billing percentages specified for each meet-point arrangement either in those tariffs, in the NECA No. 4 tariff, or any functional successor to the NECA No. 4 tariff.

2. MPB will apply to all traffic bearing the 800, 888, or any other non-geographic NPA which may be likewise designated for such traffic in the future, where the responsible party is an IXC. In those situations where the responsible party for such traffic is a LEC or CLC, full switched access rates will be charged to the responsible LEC or CLC.

VI. RECIPROCAL TRAFFIC EXCHANGE ARRANGEMENT

A. Description

The Parties shall reciprocally terminate local exchange traffic and intraLATA toll calls originating on each others' networks, as follows:

1. The Parties shall make available to each other the following trunk connections for the reciprocal exchange of local exchange traffic and intraLATA toll traffic:
 - a. Pacific shall make available to MFS at the ILIP, trunk connections over which MFS may terminate local exchange

traffic and intraLATA toll traffic. These trunk connections shall be designated as "LISA trunks".

b. MFS shall make available to Pacific at the IJIP, trunk connections over which Pacific may terminate local exchange traffic and intraLATA toll traffic. These trunk connections shall be designated as "JANE trunks".

2. Initial LISA trunks will be configured into a single consolidated trunk group over which MFS may terminate local exchange traffic and intraLATA toll on a LATA-wide basis (including local exchange traffic and intraLATA toll traffic to other LECs, CLCs, or wireless service providers which sub-tend Pacific's access tandems). The initial LISA facility connection will be made at the DS-3 level, with additional trunk capacity added in DS-1 or multiple DS-1 increments. Pursuant to the Joint Interconnection Grooming Plan prescribed in point 4, below, appropriate numbers of LISA trunks shall be separated into segregated LISA trunk groups. Further, pursuant to the Joint Interconnection Grooming Plan, each segregated LISA trunk group shall be configured as a direct trunk group connection from a specific end office or tandem switch in MFS' network, to a specific end office or tandem switch in Pacific's network. When segregated trunk groups are established under the Joint Grooming Plan, then pursuant to MFS' sole preference, Pacific will make available, and MFS will interconnect to each subsequently segregated LISA trunk group at: (1) the ILIP; (2) the wire center housing the Pacific switch to which the segregated LISA trunk group is terminated; or (3) any Pacific wire

center which is designated as a serving wire center for access purposes, where the distance between such wire center and the wire center housing the Pacific switch to which the segregated LISA trunk group is terminated, is no greater than the distance between the ILIP and the wire center housing the Pacific switch to which the segregated LISA trunk group is terminated. Where MFS interconnects to LISA trunk groups at points other than the ILIP, interconnection shall occur under the same terms as specified for interconnection at the ILIP in Section III.B of this Agreement.

3. Initial JANE trunks will be configured into a single consolidated trunk group over which Pacific may terminate local exchange traffic and intraLATA toll on a LATA-wide basis to MFS (including local exchange traffic and intraLATA toll traffic originated by other LECs, CLCs, or wireless service providers). The initial JANE facility connection will be made at the DS-3 level, with additional trunk capacity added in DS-1 or multiple DS-1 increments. Pursuant to the Joint Interconnection Grooming Plan described in point 4, below, appropriate numbers of JANE trunks shall be separated into segregated JANE trunk groups. Further, pursuant to the Joint Interconnection Grooming Plan, each segregated JANE trunk group shall be configured as a direct trunk group connection from a specific end office or tandem switch in Pacific's network, to a specific end office or tandem switch in MFS' network. When segregated trunk groups are established under the Joint Grooming Plan, then pursuant to Pacific's sole preference, MFS will make available, and Pacific will interconnect to each subsequently segregated JANE trunk group at: (1) the ILIP; (2) the wire center

housing the MFS switch to which the segregated JANE trunk group is terminated; or (3) any MFS wire center which is designated as a serving wire center for access purposes, where the distance between such wire center and the wire center housing the MFS switch to which the segregated JANE trunk group is terminated, is no greater than the distance between the LJIP and the wire center housing the MFS switch to which the segregated JANE trunk group is terminated. Where Pacific interconnects to JANE trunk groups at points other than the LJIP, interconnection shall occur under the same terms as specified for interconnection at the LJIP in Section III.C of this agreement.

4. The Parties will jointly develop and agree on a Joint Interconnection Grooming Plan prescribing standards to ensure that traffic exchanged over the LISA and JANE trunk groups experiences a consistent P.01 or better grade of service, and other appropriate, relevant industry-accepted quality, reliability and availability standards. Such plan shall also include mutually-agreed upon standards for the configuration of segregated LISA trunk groups and segregated JANE trunk groups. In addition, the plan shall also include standards and procedures for notification of trunk disconnections and discoveries of trunk disconnections; neither Party shall be expected to maintain active status for a trunk disconnected by the other Party for an extended or indefinite period of time. The Parties will use their best collective good faith efforts to complete and agree on such plan within 90 days following execution of this agreement.

5. **The Parties will provide Common Channel Signalling (CCS) to one another, where and as available, in conjunction with all LISA and JANE trunk groups. The Parties will cooperate in the exchange of Transaction Capabilities Application Part (TCAP) messages to facilitate full inter-operability of CCS-based features between their respective networks, including all CLASS features and functions, to the extent each carrier offers such features and functions to its own end users. All CCS signalling parameters will be provided including calling party number (CPN), originating line information (OLI) calling party category, charge number, etc. All privacy indicators will be honored. Where available, network signalling information such as Carrier Identification Parameter (CCS platform) and CIC/OZZ information (non-CCS environment) will be provided wherever such information is needed for call routing or billing. The Parties will follow all Ordering and Billing Forum adopted standards pertaining to CIC/OZZ codes. Where CCS is not available, in-band multi-frequency (MF) wink start signalling will be provided; this MF arrangement will require a separate LISA trunk group between MFS' switch and Pacific's access tandem. After March 1, 1996, the Parties shall establish segregated LISA and JANE trunk groups as needed to allow for ISDN interoperability utilizing the B8ZS ESF protocol for 64 kbps clear channel transmission.**

6. **The Parties shall establish CCS interconnections STP-to-STP in each LATA where MFS provides service. Such interconnections shall be made at the ILIP and/or other points, as necessary and as jointly agreed to by the parties.**

7. The terms of the *Joint Interconnection Grooming Plan* specified in point 4, above, notwithstanding, MFS may opt at any time to terminate to Pacific some or all local exchange traffic and intraLATA toll traffic originating on its network, together with switched access traffic, via Feature Group D Switched Access services MFS may otherwise purchase from Pacific, subject to the rates, terms and conditions specified in Pacific's standard intrastate FGD access tariffs. Neither Party shall terminate switched access traffic over LISA or JANE trunks.

B. Compensation

1. The following reciprocal compensation rates shall apply for traffic carried between Pacific and MFS via LISA or JANE trunks:
 - a. Blended rate: \$.0087 per minute.
 - b. Local rate: \$.0075 per minute.
 - c. Toll rate: \$.014 per minute.
 - d. LISA transit rate: \$.0065 per minute.
 - e. JANE transit rate: \$.00 per minute. (No charge.)
2. Measurement of billing minutes of use over LISA/JANE trunk groups shall be in actual conversation seconds. The total conversation seconds over each individual LISA/JANE trunk group will be totaled for the entire monthly bill-round and then rounded to the next whole minute.

- 3. Pacific shall track and total each month the conversation seconds for which it performed DDCF and then routed such traffic to MFS over JANE trunks. Pacific shall supply this total number of conversation seconds to MFS each month for each JANE trunk group. MFS shall charge Pacific for these conversation seconds at the Blended rate specified above. MFS shall track and total each month the conversation seconds for which it performed DDCF and then routed such traffic to Pacific over LISA trunks. MFS shall supply this total number of conversation seconds to Pacific each month for each LISA trunk group. Pacific shall charge MFS for these conversation seconds at the Blended rate specified above.**

- 4. Each Party shall determine the traffic type for each call it receives from the other Party over a LISA/JANE trunk, by comparing the Calling Party Number (CPN) in the call record to the called party number in the record.**

 - a) For the total conversation seconds where the CPN is not present in the call record, the Toll rate specified above shall apply.**

 - b) For the total conversation seconds on JANE trunks where the CPN bears an NPA-NXX assigned to a third party LEC, CLC, or wireless service provider the JANE transit rate specified above shall apply. For the total conversation seconds on LISA trunks where the called party number bears an NPA-NXX assigned to a third party LEC, CLC, or**

wireless service provider the LISA transit rate specified above shall apply.

- c) For the total conversation seconds where the CPN bears an NPA-NXX assigned to the other Party, where such NPA-NXX is associated with a rate center point more than 12 miles from the rate center point of the called party number, the Toll rate specified above shall apply.
- d) For the total conversation seconds where the CPN bears an NPA-NXX assigned to the other Party, where such NPA-NXX is associated with a rate center point within 0-12 miles of the rate center point of the called party number, that number of total conversation seconds charged at the Blended rate per paragraph 3, above, shall be subtracted and the remainder shall be billed at the Local rate specified above.
- e) For BLV/BLVI calls on LISA/JANE trunks, and DA calls over JANE trunks, only the charges specified for those calls in Sections VII.D. and VII.E., respectively, shall apply.

To the extent that in any given billing period one Party is unable to determine traffic type as specified above, it shall request, and the other Party shall provide, percentage of use factors for all traffic which the second Party terminated to the first over LISA/JANE trunks.

5. Pacific and MFS shall impose no per trunk monthly recurring charges for LISA and JANE trunks. However, MFS shall pay Pacific non-recurring charges for LISA trunks, and Pacific shall pay MFS non-recurring charges for JANE trunks. The non-recurring charges for LISA and JANE trunks shall be: (1) to the tandem, \$530 for the first trunk and \$8 each additional trunk; and (2) to the end office, \$650 for the first trunk and \$6 for each additional trunk. In addition, labor charges for work outside of normal day business hours or for additional testing beyond normal testing, when such work or testing is requested by either Party, shall apply to the Party requesting that the work be performed.

VII. ANCILLARY PLATFORM ARRANGEMENTS

A. E 9-1-1

1. Pacific will provide E9-1-1 service to MFS under the terms and conditions of its E9-1-1 tariff proposal in I.95-04-43 and R.95-04-044. When such tariff is approved by the Commission, to the extent it establishes lower rates and charges than those contained in this Agreement, such lower rates and charges shall apply and Pacific will credit MFS the difference between what it has paid Pacific under this agreement and what MFS would have paid Pacific under the approved tariff. This credit shall be for an amount of no more than the difference in rates and charges for three months of E-9-1-1 charges under this agreement.

2. Pacific will provide Enhanced 9-1-1 (E9-1-1) service to MFS at the following rates and charges:

<u>Service</u>	<u>Non-Recurring Charge</u>	<u>Monthly Rate</u>
Network		
<ul style="list-style-type: none"> CAMA Trunk (Minimum of 2 trunks required) 	\$741 (per trunk)	\$26 (per trunk) \$2 per mile (per trunk)
Data Management		
<ul style="list-style-type: none"> E9-1-1 Tandem Switching (per 1,000 records) 		\$15
<ul style="list-style-type: none"> Data Management Support and storage, selective routing, and ALI retrieval (per 1,000 records) 		\$99
<ul style="list-style-type: none"> Manual Input of MFS subscriber records (per 100 records input in a one month period) 	\$342	
<ul style="list-style-type: none"> Error Correction of MFS subscriber records (per record) 	\$3.50	
<ul style="list-style-type: none"> Charge for MSAG (per County/per sort) 	\$60	
<ul style="list-style-type: none"> ACES Card Management (per card) 		\$6
<ul style="list-style-type: none"> ACES Card replacement (lost or stolen) 	\$140	

3. Pacific will provide MFS with an electronic interface from which MFS may input and update subscriber records. To the extent this electronic interface is not available by February 1, 1996, Pacific will waive any charges associated with manual input of subscriber records until such time as the interface is made available.
4. Pacific and MFS will work cooperatively to arrange meetings with PSAPs to answer any technical questions the PSAPs or County coordinators may have regarding the E9-1-1 portions of this agreement.

B. Transfer of Service Announcements

When an end user customer changes from Pacific to MFS, or from MFS to Pacific, and does not retain its original telephone number, the Party formerly providing service to the end user will provide a transfer of service announcement on the abandoned telephone number. Each Party will provide this referral service consistent with its tariff. This announcement will provide details on the new number to be dialed to reach this customer.

C. Coordinated Repair Calls

MFS and Pacific will employ the following procedures for handling misdirected repair calls:

1. **MFS and Pacific will educate their respective customers as to the correct telephone numbers to call in order to access their respective repair bureaus.**

2. **To the extent the correct provider can be determined, misdirected repair calls will be referred to the proper provider of local exchange service in a courteous manner, at no charge, and the end user will be provided the correct contact telephone number. In responding to repair calls, neither Party shall make disparaging remarks about each other, nor shall they use these repair calls as the basis for internal referrals or to solicit customers to market services. Either Party may respond with accurate information in answering customer questions.**

3. **MFS and Pacific will provide their respective repair contact numbers to one another on a reciprocal basis.**

D. Busy Line Verification and Interrupt

1. **Description**
 - a. **Each Party shall establish procedures whereby its operator bureau will coordinate with the operator bureau of the other Party in order to provide Busy Line Verification ("BLV") and Busy Line Verification and Interrupt ("BLVI") services on calls between their respective end users.**

- b. BLV and BLVI inquiries between operator bureaus shall be routed over the LISA and JANE trunks.

2. Compensation

Each Party shall charge the other Party for BLV and BLVI at the rates contained in Pacific's CPUC tariff 175-T.

- E. Directory Assistance (DA)

1. Description

At MFS' request, Pacific will:

- a. Provide to MFS over the LISA trunks unbranded directory assistance service which is comparable in every way to the directory assistance service Pacific makes available to interexchange carriers.
- b. In conjunction with sub-paragraph (a) above, provide caller-optional directory assistance call completion service which is comparable in every way to the directory assistance call completion service Pacific generally makes available to its own end users, to the extent Pacific generally offers such service to its end users.

2. Compensation

Pacific shall charge MFS for DA services at the rates contained in Pacific's CPUC tariff 175-T.

F. Directory Listings and Directory Distribution

The terms specified in this section shall apply to MFS customer numbers falling within NXX codes directly assigned to MFS, and to MFS customer telephone numbers which are retained by MFS pursuant to SPNP as described in Section IX.

- 1. Pacific publishes and distributes white pages directories through its wholly owned subsidiary, Pacific Bell Directory (PBD), which acts as its agent for the white pages. PBD also publishes and distributes yellow pages directories which PBD owns. Pacific and PBD will deal with subscribers of MFS on the same basis and in the identical manner as they deal with subscribers of Pacific respecting inclusion in and delivery of white and yellow pages directories (including all hard copy and electronic directories). Respecting inclusion in white pages directories, the Parties shall use their best reasonable efforts to develop and implement a process whereby MFS will be able to review and correct proofs of its customers' white pages listings in advance of directory publication. Respecting inclusion in and delivery of yellow pages directories, PBD will not discriminate against subscribers of MFS who seek advertising in the yellow pages by reason of their affiliation with MFS, but with respect to these subscribers, PBD will**

use the same criteria in determining whether or not to publish advertisements and listings in the yellow pages as it uses for its other customers or potential customers for advertising.

By reason of this agreement, PBD assumes no liability toward MFS or toward any of its subscribers for errors in or omissions of advertisements or listings in the above-mentioned directories. PBD's liability, if any, for such errors or omissions shall be governed solely by its separate contracts with its individual customers, and shall be determined for MFS customers on the same basis as is the case for Pacific's customers. There are no third party beneficiaries to this agreement with respect to the commitments made on behalf of PBD herein.

Pacific will work cooperatively with MFS to ensure that Yellow Page advertisements purchased by customers who switch their service to MFS (including customers utilizing MFS-assigned telephone numbers and MFS customers utilizing SPNP) are maintained without interruption.

The services described in this sub-paragraph (1) will be provided without charge, provided Pacific's standard charges or tariff rates for white page or yellow page listings or advertising options not described in this sub-paragraph (1) shall apply for such services.

2. MFS will provide Pacific with its directory listings and daily updates to those listings in an industry-accepted format; Pacific will include MFS' customers in directory assistance databases associated with

the areas in which MFS provides Exchange Services to such customers. Pacific will provide MFS with the proper format which MFS shall employ in submitting directory listings and daily updates.

3. MFS and Pacific will accord MFS' directory listing information the same level of confidentiality which Pacific accords its own directory listing information, and Pacific shall ensure that access to MFS' customer proprietary confidential directory information will be limited solely to those Pacific employees who are directly involved in the preparation of listings.

G. Information Pages - Customer Guide Pages

Pacific will include in the "Information Pages" or comparable section of its White Pages Directories for areas served by MFS, listings provided by MFS for MFS' installation, repair and customer service and other service oriented information including appropriate identifying logo. Such listings shall appear in the manner and likeness as such information appears for Pacific and other LECs or CLCs. Reasonable non-discriminatory charges per page (or fraction of a page; limit of no more than one full page in a directory) will apply for this service, as identified in Pacific's CPUC 175T tariff, Section 9.2.6. To the extent this service is required prior to effectiveness of an appropriate CLC rate, the rate currently listed for long distance company provision of similar information shall apply.

H. Information Services Billing and Collection

- 1. MFS shall deliver calls originated over MFS-provided Exchange Services to Pacific's information services platform (e.g., 976) by routing such traffic over the LISA trunks. MFS retains the right to block such calls.**

- 2. For the calls identified in sub-paragraph H (1) above, MFS will provide an electronic file transfer or daily or monthly magnetic tape containing recorded call detail information to Pacific. Pacific will provide on a per call basis the information providers' charge for each such call in the same manner as Pacific would rate the call for its own end users, and in the same manner that Pacific provides such rated information to other LECs. Pacific will return the rated calls to MFS via tape or electronic file transfer for billing to MFS' end user customers. MFS will bill and collect such end user charges, and remit the amounts collected to Pacific, less \$.05 per call. MFS will identify any end user customer adjustments (calls where end users deny responsibility) and Pacific will credit such adjustments.**

VIII. LINK SERVICE ARRANGEMENTS

A. Description

Pacific shall, effective April 1, 1996, provide Basic Links to MFS. Pacific shall make the following quantities available to MFS, irrespective of any other carrier's demand: for the month of April, 1000 Basic Links; for the

month of May, 1500 Basic Links; for the month of June, 2000 Basic Links; for the month of July, 3000 Basic Links; and for the month of August, 5000 Basic Links. Beginning September, 1996 Links can be ordered through Pacific's mechanized ordering process and the only quantity limitation is that no more than 30,000 Links can be provided to MFS during calendar year 1996. ISDN Links will be available beginning October 1, 1996. Testing of Basic Links and Basic Link ordering procedures will begin February 21, 1996 to the extent those ordering procedures are available.

1. Links may be interconnected to collocated transport facilities maintained or designated by MFS via an EISCC service.
2. The installation, maintenance, and repair intervals for Links will be comparable to the current installation, maintenance, and repair intervals offered on Pacific's local exchange services in the applicable geographic area, and shall be guided by the following guidelines. Pacific will provide MFS with cable and pair information on the MPOE at the customer's premise sufficient to allow MFS to connect to customer premise wiring. A Business Basic Link can be provisioned within the same period of time Pacific provisions its 1MB service requiring field work (wiring), plus one day; 1MB service is normally provisioned within 3-5 days. For a Residence Basic Link, the interval shall be the same applicable to 1FR service requiring field work (wiring), within the applicable geographic area, plus one day. For project type work (e.g., 100 lines at the same location), provisioning intervals can be substantially greater (e.g., 12 days) than those that apply to 1MB

service. Unless otherwise agreed, provisioning will occur during normal business hours, and work requested by MFS out of normal business hours will result in additional charges, as specified in Pacific's CPUC Tariff 175-T, Section 13.2.6 (A). In addition, coordination on Link installation shall be performed in the following manner:

- a) The non-recurring charge for Basic Links includes all charges for order entry, installation, and cross-connection to the MFS EIS;**

- b) The following coordination procedures apply only to Business Basic Links ordered in Zone 1: On each Link order in a wire center, MFS and Pacific will agree on a cutover time at least 48 hours before that cutover time. The cutover time will be defined as a 30 minute window within which both the MFS and Pacific personnel will make telephone contact to complete the cutover.**

Within the appointed 30 minute cutover time, the MFS person will call the Pacific person designated to perform cross-connection work and when the Pacific person is reached in that interval such work will be promptly performed. If the MFS person fails to call or is not ready

within the appointed interval and if MFS had not called to reschedule the work at least 2 hours prior to the start of the interval, Pacific and MFS will reschedule the work order and MFS will pay the non-recurring charge for the Link or Links scheduled for the missed appointment. In addition, non-recurring charges for the rescheduled appointment will apply. If the Pacific person is not available or not ready at any time during the 30 minute interval, MFS and Pacific will reschedule and Pacific will waive the non-recurring charge for the Link or Links scheduled for that interval. The standard time expected from disconnection of service on a line to the connection of the Link to the MFS EIS is 5 minutes. If Pacific causes a line to be out of service due solely to its failure for more than 15 minutes, Pacific will waive the non-recurring charge for that Link. If unusual or unexpected circumstances prolong or extend the time required to accomplish the coordinated cut-over, the Party responsible for such circumstances is responsible for the reasonable labor charges of the other Party. Delays caused by the customer are the responsibility of MFS. In addition, if MFS has ordered DNCF as part of the Link installation, Pacific will coordinate implementation of DNCF with the Link

installation; provided, separate DNCF installation charges will apply.

- c. For Business Links in Zones 2 and 3, and all Residence Links in Zones 1, 2, and 3, Pacific's intrastate CPUC 175-T, Section 13.2.6 (C) rates and terms will apply for service coordination.
 - d. If the Commission has established rates and service terms in its OANAD proceeding for installation and coordination of Basic Links by January 1, 1997, then those non-recurring rates and service terms shall be applied in lieu of the non-recurring rates and service terms specified in this section VIII.A.2. If the Commission has not established such rates and service terms by January 1, 1997, the non-recurring rates and service terms in this section VIII.A.2 shall continue to apply until the Commission establishes different non-recurring rates and service terms.
3. In the case of service to existing Pacific customers that are becoming MFS customers for which MFS is using Pacific's Link service, MFS can submit a single order disconnecting the existing service (so long as a customer agency letter is provided), ordering of the Link, and request for DNCF, all through Pacific's CESAR ordering system. Separate internal processes within Pacific will

apply to the disconnect of existing service, establishment of the Link, and completion of DNCF order.

4. Pacific will bill all Links purchased by MFS (either directly or by previous assignment by a customer) on two consolidated statements in the following manner. Links will be listed by a circuit identification number on the bill, along with a wire center identification and customer premise street address. The bill will issue on a "bill round" once each month and MFS will be permitted to select one of three bill rounds. MFS will have to establish separate billing accounts for Southern and Northern California.
5. Pacific will permit MFS to collocate facilities on the same basis that such facilities are placed today under Pacific's EIS tariffs.
6. Beginning September 1, 1996, Pacific will provide MFS with an appropriate on-line electronic interface by which MFS may place, verify and receive confirmation of orders for Links, and issue and track trouble-ticket and repair requests associated with Links.

B. Compensation

Pacific shall charge non-recurring and a monthly recurring rate as set forth below for each Link and EISCC, plus applicable multiplexing, if requested. MFS shall cooperate with Pacific in obtaining a waiver at the FCC for the interstate EUCL and CCL such that it can be charged directly to MFS.

BASIC LINKS

● **Recurring Rates:**

EISCC recurring monthly charge, \$1.31

Basic Link (including EUCL and CCL):

Business

Zone 1	Zone 2	Zone 3
\$12.50	\$14.50	\$19.50

Residence

Zone 1	Zone 2	Zone 3
\$13.90	\$17.00	\$21.40

Business Link Zones are defined as shown in Attachment A; Residence Link Zones are defined as shown in Attachment B

● **Non-recurring rates:**

Business Links Zone 1: Combined non-recurring charge for each Basic Link and a corresponding EISCC: \$70.75. This non-recurring charge covers all work required to establish a working Business Basic Link, including acceptance of the Link order, processing the order, and cross-connecting the Link to the EIS.

Business Basic Links Zones 2 and 3 and Residence Basic Links Zones 1, 2, and 3: \$200 for the first Basic Link, plus \$110 for each additional Basic

Link that is contained on the same order with the same cut-over date for connection at the same end user MPOE.

ISDN LINKS:

- **Recurring Rates:**

EISCC recurring monthly charge, \$1.31

ISDN Link (including EUCL and CCL):

Business

Zone 1	Zone 2	Zone 3
\$18.75	\$21.75	\$29.25

Residence: Rates and availability to be determined in the Commission's OANAD proceeding (R. 93-04-003).

- **Non-recurring rates:**

For both Business and Residence ISDN:

Combined non-recurring charge for each Basic Link and a corresponding EISCC: to be established in the OANAD proceedings and until such charge is established in that proceeding it will be determined on an individual case basis.

IX. SERVICE PROVIDER NUMBER PORTABILITY ARRANGEMENTS

A. Description

Pacific and MFS will provide Service Provider Number Portability ("SPNP") on a reciprocal basis between their networks to enable each of their end user customers to utilize telephone numbers associated with an Exchange Service provided by one Party, in conjunction with an Exchange Service provided by the other Party, upon the coordinated or simultaneous termination of the first Exchange Service and activation of the second Exchange Service.

1. MFS and Pacific will provide reciprocal SPNP immediately upon execution of this agreement via DDCF. DDCF shall operate as follows:

- a. A customer of Party A elects to become a customer of Party B. The customer elects to utilize the original telephone number(s) corresponding to the Exchange Service(s) it previously received from Party A, in conjunction with the Exchange Service(s) it will now receive from Party B. Upon receipt of a signed letter of agency from the customer (and an associated service order) assigning the number to Party B, Party A will implement an arrangement whereby all calls to the original telephone number(s) will be forwarded on a multiple-path basis (if requested) to (a) new telephone number(s) designated by Party B. Party A will route the forwarded traffic to Party B over the LISA or JANE trunks as

if the call was a call which had originated on Party A's network.

- b. Party B will become the customer of record for the original Party A telephone numbers subject to the DNCF arrangements. Party A will provide Party B a single consolidated master billing statement for all collect and billed to 3rd-number calls associated with those numbers, with sub-account detail by retained number. Such billing statement shall be delivered in an agreed upon format via either electronic file transfer, daily magnetic tape, or monthly magnetic tape.
- c. Party A may cancel line-based calling cards and will, as directed by Party B, update its Line Information Database ("LIDB") listings for retained numbers associated with those forwarded numbers.
- d. Within two (2) business days of receiving notification from the customer, Party B shall notify Party A of the customer's termination of service with Party B, and shall further notify Party A as to the Customer's instructions regarding its telephone number(s). Party A will reinstate service to the customer, cancel the DNCF arrangement, or redirect the DNCF arrangement pursuant to the customer's instructions at that time.

2. DNCF will not forward ISDN data calls.

3. Pacific and MFS will migrate from DNCF to Permanent Number Portability as soon as practically possible, without interruption of service (to the degree possible) to their respective customers.

B. Compensation

MFS and Pacific shall provide DNCF arrangements to one another at a rate of \$3.25 per number per month, plus any otherwise applicable charges for authorized collect and billed-to-3rd-number billed calls billed to the retained numbers. Additionally, a per number non-recurring charge of \$31.75 shall apply; provided, however, either Party shall have the option of paying \$75 for the first DNCF ordered in each wire center, plus \$8 for each additional DNCF requested with the same order and in the same wire center. Each Party shall, by December 15, 1995, and by December 15 of each subsequent year, notify the other Party of its selection (or change of selection) of the non-recurring charge option for the following year. The selection shall remain in place for the entire subsequent year.

X. RESPONSIBILITIES OF THE PARTIES

- A. Pacific and MFS agree to treat each other fairly, non-discriminatorily, and equally for all items included in this Agreement, or related to the support of items included in this Agreement.
- B. MFS and Pacific will work cooperatively to minimize fraud associated with 3rd-number billed calls, calling card calls, or any other services related to

this Agreement. The parties fraud minimization procedures are to be cost effective and implemented so as not to unduly burden or harm one party as compared to the other.

- C. MFS and Pacific agree to promptly exchange all necessary records for the proper billing of all traffic.**

- D. MFS and Pacific will review engineering requirements on a quarterly basis and establish forecasts for trunk utilization, LISA/JANE trunks, MPB arrangements, E9-1-1, EISCC facility requirements, quantities of DNCF, Links and other services provided under this Agreement. Pacific and MFS will work together to begin providing these forecasts by December 15, 1995. New trunk groups will be implemented as dictated by engineering requirements for both Pacific and MFS. Pacific and MFS are required to provide each other the proper call information (e.g., originated call party number and destination call party number, etc.) to enable each company to bill in a complete and timely fashion.**

- E. The Parties will cooperate by exchanging technical information in order to identify and explore potential solutions to enable MFS to establish unique Rate Centers, or to assign a single NXX code across multiple Rate Centers.**

- F. MFS and Pacific will work jointly and cooperatively in developing and implementing common manual and/or electronic interfaces (including, for example, data elements, data format, and data transmission) from which to place service orders and trouble reports involving the provision of Links, DNCF, Directory Assistance, Directory Listings, E9-1-1, and other**

services included in this Agreement. To the extent reasonable, MFS and Pacific will utilize the standards established by industry fora, such as OBF. Specifically with respect to the data elements in the manual and/or electronic interface to Pacific's Directory Listings, Pacific agrees not to require MFS to enter the exchange name associated with the telephone number assigned to MFS' customer. Where MFS does not supply the exchange name, Pacific will use the MFS customer's telephone number to determine the exchange name to be supplied to Pacific Bell Directory.

XI. TERM

Except as provided herein, MFS and Pacific agree to provide service to each other on the terms defined in this Agreement for a term of two years, and thereafter the Agreement shall continue in force and effect unless and until terminated as provided herein. Either party may terminate this Agreement by providing written notice of termination to the other party, such written notice to be provided at least 60 days in advance of the date of termination; provided, no such termination shall be effective prior to January 1, 1997. In the event of such termination as described herein, for service arrangements made available under this Agreement and existing at the time of termination, those arrangements shall continue without interruption under either a) a new agreement executed by the Parties, b) standard interconnection terms and conditions approved and made generally effective by the Commission, or c) tariff terms and conditions generally available to CLCs; provided, for service arrangements made available under this Agreement and existing at the time of termination, if the standard interconnection terms and conditions or tariff terms and conditions result in the non-terminating Party physically rearranging facilities or incurring programming expense, the non-terminating Party shall be entitled to recover such rearrangement or

programming costs from the terminating Party. By mutual agreement, MFS and Pacific may amend this Agreement to extend the term of this Agreement. Also by mutual agreement, Pacific and MFS may jointly petition the appropriate regulatory bodies for permission to have this Agreement supersede any future standardized agreements or rules such as regulators might adopt or approve.

Notwithstanding the foregoing, neither party may terminate this Agreement unless and to the extent that it is superseded by another agreement or until standard arrangements or general tariff terms and conditions generally available to CLCs are effective.

XI. INSTALLATION

Pacific and MFS shall effectuate all the terms of this agreement by January 1, 1996. By December 15, 1995, MFS and Pacific shall agree upon a detailed implementation plan to begin implementation of LISA and JANE facilities, MBP arrangements, E-911 trunking, and DNCF services. The parties intend that orders for these services will be placed beginning on December 20, 1995, and that such services would be fully operational (consistent with California law) by February 1, 1996. By January 16, 1996 Pacific and MFS shall agree upon a detailed implementation plan to begin implementation of Directory Assistance, Directory Listings, and the ordering, provisioning, and billing systems and processes associated with these systems.

XII. NETWORK MANAGEMENT AND SERVICE MAINTENANCE

MFS and Pacific will work cooperatively to install and maintain a reliable network. MFS and Pacific will exchange appropriate information (e.g., maintenance contact numbers, network information, information required to comply with law enforcement and other security agencies of the Government, etc.) to achieve this desired reliability.

MFS and Pacific will work cooperatively to apply sound network management principles by invoking network management controls to alleviate or to prevent congestion.

MFS and Pacific will cooperatively plan and implement coordinated repair procedures to ensure customer trouble reports are resolved in a timely and appropriate manner.

XIII. FORCE MAJEURE

Neither Party shall be responsible for delays or failures in performance resulting from acts or occurrences beyond the reasonable control of such Party, regardless of whether such delays or failures in performance were foreseen or foreseeable as of the date of this Agreement, including, without limitation: fire, explosion, power failure, acts of God, war, revolution, civil commotion, or acts of public enemies; any law, order, regulation, ordinance or requirement of any government or legal body; or labor unrest, including, without limitation, strikes, slowdowns, picketing or boycotts; or delays caused by the other Party or by other service or equipment vendors; or any other circumstances beyond the Party's reasonable control. In such event, the Party affected shall, upon giving

prompt notice to the other Party, be excused from such performance on a day-to-day basis to the extent of such interference (and the other Party shall likewise be excused from performance of its obligations on a day-for-day basis to the extent such Party's obligations relate to the performance so interfered with). The affected Party shall use its best efforts to avoid or remove the cause of non-performance and both parties shall proceed to perform with dispatch once the causes are removed or cease.

XIV. LIMITATION OF LIABILITY

Except as otherwise provided herein, neither Party shall be liable to the other in connection with the provision of use of services offered under this Agreement for indirect, incidental, consequential, reliance or special damages, including (without limitation) damages for lost profits, regardless of the form of action, whether in contract, indemnity, warranty, strict liability, or tort, including (without limitation) negligence of any kind.

XV. ASSIGNMENT

This Agreement may not be assigned by either Party without 60 days advance written notice and the written consent of the other Party, provided neither Party shall unreasonably withhold such consent. However, no consent will be required in the event of assignment to an affiliate or subsidiary.

XVI. DEFAULT

If either Party default in the payment of any amount due hereunder, or if either Party violates any other provision of this Agreement, and such default or

violation shall continue for thirty days after written notice thereof, the other Party may terminate this Agreement forthwith by written instrument. The failure of either Party to enforce any of the provisions of this Agreement or the waiver thereof in any instance shall not be construed as a general waiver or relinquishment of its part of any such provision, but the same shall, nevertheless, be and remain in full force and effect.

Notwithstanding the Limitation of Liabilities provision set forth above, the Parties agree that should Pacific under fill the Basic Link orders in a given month by the larger of (a) 500 Basic Links ordered by MFS or (b) 25% of the Basic Links ordered by MFS (provided that for the months April, May, June, July, and August, 1996 said ordered amount shall never be higher than the Link caps for those months), and such failure is due in no part to the actions or inactions of MFS, that this would give rise to damages which would be impractical or extremely difficult to determine. In such event, MFS shall give written notice to Pacific of the failure, and Pacific shall have 30 days after receipt of such notice to cure the defect by providing the number of Basic Links ordered by MFS, consistent with the monthly Link caps provided herein. If 30 days following such notice Pacific has failed to provide the number of Basic Links necessary to cure the defect, Pacific shall pay to MFS a daily liquidated damages amount of \$7,500 for each day that the amount necessary to cure the defect remains unfilled. Further accruals of this daily penalty shall terminate when either Party terminates the Agreement pursuant to Section XI.

XVII. NONDISCLOSURE

- A. All information, including but not limited to specifications, microfilm, photocopies, magnetic disks, magnetic tapes, drawings, sketches, models, samples, tools, technical information, data, employee records, maps, financial reports, and market data, (i) furnished by one Party to the other Party dealing with customer specific, facility specific, or usage specific information, other than customer information communicated for the purpose of publication or directory database inclusion, or (ii) in written, graphic, electromagnetic, or other tangible form and marked at the time of delivery as "Confidential" or "Proprietary", or (iii) communicated orally and declared to the receiving Party at the time of delivery, or by written notice given to the receiving Party within ten (10) days after delivery, to be "Confidential" or "Proprietary" (collectively referred to as "Proprietary Information"), shall remain the property of the disclosing Party.**
- B. Upon request by the disclosing Party, the receiving Party shall return all tangible copies of Proprietary Information, whether written, graphic or otherwise, except that the receiving Party may retain one copy for archival purposes.**
- C. Each Party shall keep all of the other Party's Proprietary Information confidential and shall use the other Party's Proprietary Information only for**

performing the covenants contained in the Agreement. Neither Party shall use the other Party's Proprietary Information for any other purpose except upon such terms and conditions as may be agreed upon between the parties in writing.

D. Unless otherwise agreed, the obligations of confidentiality and non-use set forth in this Agreement do not apply to such Proprietary Information as:

- (i) was at the time of receipt already known to the receiving Party free of any obligation to keep it confidential evidenced by written records prepared prior to delivery by the disclosing Party; or
- (ii) is or becomes publicly known through no wrongful act of the receiving Party; or
- (iii) is rightfully received from a third person having no direct or indirect secrecy or confidentiality obligation to the disclosing Party with respect to such information; or
- (iv) is independently developed by an employee, agent, or contractor of the receiving Party which individual is not involved in any manner with the provision of services pursuant to the Agreement and does not have any direct or indirect access to the Proprietary Information; or
- (v) is disclosed to a third person by the disclosing Party without similar restrictions on such third person's rights; or

(vi) is approved for release by written authorization of the disclosing Party; or

(vii) is required to be made public by the receiving Party pursuant to applicable law or regulation provided that the receiving Party shall give sufficient notice of the requirement to the disclosing Party to enable the disclosing Party to seek protective orders.

E. **Effective Date.** Notwithstanding any other provision of this Agreement, the Proprietary Information provisions of this Agreement shall apply to all information furnished by either Party to the other in furtherance of the purpose of this Agreement, even if furnished before the date of this Agreement.

XVIII. CANCELLATION

The Parties acknowledge that time is of the essence in implementing this Agreement. Therefore, if the Commission acts or fails to act so as to delay implementation of the Agreement by January 3, 1996, then either Party may provide written notice of an intent to cancel. Unless the Parties agree within 10 business days of such notice of intent on a revised plan of implementation, the notice shall become an effective cancellation and the Agreement shall be null and void without force and effect.

XIX. DISPUTE RESOLUTION

The Parties agree that in the event of a default or violation hereunder, or for any dispute arising under this Agreement or related agreements the Parties may

have in connection with this Agreement, prior to taking any action before any court or regulator, or before making any public statement or disclosing the nature of the dispute to any third Party, the Parties shall first confer to discuss the dispute and seek resolution. Such conference shall occur at least at the Vice President level for each Party. In the case of Pacific, its Vice President for Local Competition, or equivalent officer, shall participate in the meet and confer meeting, and MFS Vice President, Regulatory Affairs, or equivalent officer, shall participate.

XX. NOTICES

Any notices required by or concerning this Agreement shall be sent to the Parties at the addresses shown below:

Pacific Bell
Marlin Ard, Dep. Gen. Counsel
140 New Montgomery St., 16th Floor
San Francisco, CA 94105

MFS Intelenet
Andrew D. Lipman, Senior Vice Pres., Legal/Regulatory Affairs
3000 K Street N. W., Suite 300
Washington DC 20007

Each Party shall inform the other of any changes in the above addresses.

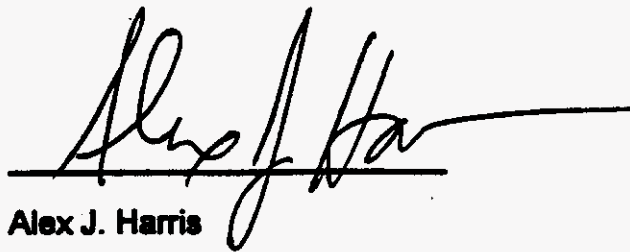
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives.

A handwritten signature in cursive script, appearing to read "Lee Bauman", written over a horizontal line.

Lee Bauman

Vice President, Local Competition

Pacific Bell

A handwritten signature in cursive script, appearing to read "Alex J. Harris", written over a horizontal line.

Alex J. Harris

Vice President, Regulatory Affairs

MFS Intelenet of California, Inc.