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December 22, 1997

Mrs. Blanca S. Bayo
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

RE: Docket No. 971478-TP (WorldCom Complaint)

Dear Ms. Bayo:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Answer and Response to the Complaint of WorldCom Technologies, Inc., which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served on the parties shown on the attached Certificate of Service.

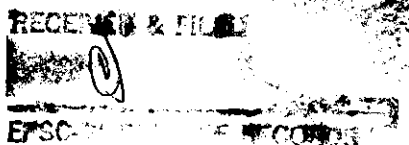
Sincerely,

Nancy B. White (KR)

Nancy B. White

Enclosures

cc: All Parties of Record
A. M. Lombardo
R. G. Beatty
W. J. Ellenberg



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Complaint of WorldCom Technologies,) Docket No.: 971478-TP
Inc. Against BellSouth Telecommunications, Inc.)
and Request for Relief)
_____) Filed: December 22, 1997

**BELLSOUTH TELECOMMUNICATIONS, INC.'S
ANSWER AND RESPONSE TO COMPLAINT OF
WORLDCOM TECHNOLOGIES, INC.**

BellSouth Telecommunications, Inc., ("BellSouth"), hereby files its Answer and Response, pursuant to Rule 1.110, Florida Rules of Civil Procedure and Rules 25-22.037 and 25-22.0375, Florida Administrative Code, to the Complaint of WorldCom Technologies, Inc. ("WorldCom"), which seeks a ruling that calls to information service providers ("ISPs") should qualify for reciprocal compensation under the terms of WorldCom Interconnection Agreement when such traffic is exchanged between BellSouth and WorldCom. There is no factual, legal or policy basis for such a ruling since calls to the Internet through ISPs that originate on one carrier's network do not "terminate" on the other's network, as would be required for reciprocal compensation to apply. To the contrary, a single such call may communicate with interstate, foreign, and local destinations simultaneously; thus, as a jurisdictional matter such traffic cannot be considered "local." Indeed, jurisdiction over ISP traffic is clearly vested with the Federal Communications Commission ("FCC"), which is presently considering the issues raised in WorldCom's Complaint. Furthermore, reciprocal compensation means that compensation flows in both directions; there is nothing "reciprocal" about ISP traffic, since such traffic all flows in one direction. Accordingly, WorldCom is not entitled to the

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relief it seeks in this proceeding, and the Commission should dismiss WorldCom's Complaint.

For Answer to the specific allegations in the Complaint, BellSouth states the following:

1. BellSouth is without sufficient information or knowledge of the allegations in Paragraph 1 of the Complaint, and, therefore, these allegations are deemed to be denied.

2. BellSouth is without sufficient information or knowledge of the allegations in Paragraph 2 of the Complaint, and, therefore, these allegations are deemed to be denied.

3. BellSouth admits the allegations in Paragraph 3 of the Complaint.

4. BellSouth admits the allegations in Paragraph 4 of the Complaint.

5. BellSouth admits the allegations in Paragraph 5 of the Complaint.

6. BellSouth denies that it has breached its interconnection agreement with WorldCom. BellSouth admits the remaining allegations in Paragraph 6 of the Complaint.

7. BellSouth admits that the Commission has jurisdiction over Complaints under the statutory provisions cited in Paragraph 7 of the Complaint. BellSouth, however, denies that the Commission has jurisdiction over ISP traffic because such traffic is interstate in nature, the jurisdiction over which is vested with the FCC.

8. As to the allegations in Paragraph 8 of the Complaint, BellSouth admits that both it and WorldCom have an interest in ensuring compliance with the terms of their interconnection agreement. BellSouth denies that it has breached the interconnection agreement or that any action seeking to "enforce" the agreement is necessary. Moreover, the ISP traffic at issue is interstate traffic, the jurisdiction over which is vested exclusively with the FCC.

9. As to the allegations of Paragraph 9 of the Complaint, BellSouth denies that there is any basis for the Commission to convene a formal proceeding to consider WorldCom's Complaint because the ISP traffic at issue is interstate traffic, the jurisdiction over which is vested exclusively with the FCC.

10. BellSouth admits the allegations in Paragraph 10 of the Complaint.

11. BellSouth admits the allegations in Paragraph 11 of the Complaint.

12. BellSouth admits the allegations in Paragraph 12 of the Complaint.

13. As to the allegations in Paragraph 13 of the Complaint, BellSouth asserts that the terms of Section 5.8 of the interconnection agreement with WorldCom speak for themselves.

14. BellSouth admits the allegations in the first and fourth sentences of Paragraph 14 of the Complaint. BellSouth denies the remaining allegations in Paragraph 14 and affirmatively asserts that individuals accessing the Internet through

an ISP do not seek to communicate with the ISP, which generally merely serves as an intermediate switch or facility for Internet access.

15. BellSouth admits that Ernest L. Bush of BellSouth sent a letter to all competitive local exchange carriers dated August 12, 1997, the terms of which speak for themselves. BellSouth also admits that a copy of this letter is attached as Exhibit A to the Complaint. BellSouth denies the remaining allegations in Paragraph 15.

16. BellSouth admits that it received a letter from WorldCom dated August 28, 1997, the terms of which speak for themselves. BellSouth also admits that a copy of this letter is attached as Exhibit B to the Complaint. BellSouth denies the remaining allegations in Paragraph 16.

17. BellSouth admits that it sent a letter to WorldCom dated September 11, 1997, the terms of which speak for themselves. BellSouth also admits that a copy of this letter is attached as Exhibit C to the Complaint. BellSouth denies the remaining allegations in Paragraph 17.

18. BellSouth admits that it sent a letter to WorldCom dated September 29, 1997, the terms of which speak for themselves. BellSouth also admits that a copy of this letter is attached as Exhibit D to the Complaint. BellSouth denies the remaining allegations in Paragraph 18.

19. BellSouth admits that it received a letter from WorldCom dated November 5, 1997, the terms of which speak for themselves. BellSouth also admits that a copy of

this letter is attached as Exhibit E to the Complaint. BellSouth denies the remaining allegations in Paragraph 19.

20. BellSouth denies the allegations in Paragraph 20 of the Complaint.

21. BellSouth admits the allegations in Paragraph 21 of the Complaint.

22. BellSouth admits the allegations in Paragraph 22 of the Complaint.

23. BellSouth admits the allegations in Paragraph 23 of the Complaint.

24. As to the allegations in Paragraph 24 of the Complaint, BellSouth admits that the parties owe reciprocal compensation for traffic which is reciprocal in nature that terminates on the other's network.

25. BellSouth denies the allegations in Paragraph 25 of the Complaint and affirmatively asserts that calls to the Internet through ISPs that originate on BellSouth's network do not "terminate" on WorldCom's network, as would be required for reciprocal compensation under BellSouth's interconnection agreement with WorldCom. Such calls traverse WorldCom's facilities to the ISP and the Internet and communicate with multiple destinations, often simultaneously, that may cross state and national boundaries; thus ISP traffic cannot be considered "local" as a legal matter.

26. As to the allegations in Paragraph 26 of the Complaint, BellSouth admits that it charges its ISP customers local business rates and that BellSouth customers as well as customers of BellSouth's ISP customers can access their ISP by making a local phone call. However, BellSouth affirmatively asserts that this arrangement exists only

by virtue of the FCC's continued decision to exempt ISPs from paying access charges and to allow ISPs to pay only local business rates and subscriber lines charges for their switched access connection to local exchange company central offices. Importantly, the FCC's exemption for ISPs only extends to incumbent local exchange carriers. Thus, WorldCom, as a competitive local exchange carrier, is free to charge appropriate access rates in order to compensate it fully for the cost of any services it provides to ISPs. BellSouth denies the remaining allegations in Paragraph 26 of the Complaint.

27. As to the allegations of Paragraph 27 of the Complaint, BellSouth admits that, as a result of the FCC's continued decision to exempt ISPs from paying access charges and to allow ISPs to pay only local business rates and subscriber lines charges for their switched access connection to local exchange company central offices, BellSouth treats revenues associated with local exchange traffic to its ISP customers as local for purposes of separations and ARMIS reporting. Separations and ARMIS reporting are controlled by the FCC.

28. As to the allegations of Paragraph 28 of the Complaint, BellSouth admits that this Commission issued Order No. 21815, the terms of which speak for themselves. Moreover, inasmuch as ISP traffic is interstate, the FCC has jurisdiction in this matter, not this Commission. BellSouth denies the remaining allegations of Paragraph 28.

29. BellSouth denies the allegations in Paragraph 29 of the Complaint. BellSouth affirmatively asserts that the FCC has reiterated on numerous occasions that

it has jurisdiction over traffic that it jurisdictionally interstate, including ISP traffic. See MTS and WATS Market Structure, 97 FCC 2d 682, 711-12 (1983); Amendments of Part 69 of the Commission's Rules Relating to Enhanced Service Providers, 2 FCC RCD 4305, 4306 (1987); Amendments of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, 4 FCC RCD 3983, 3987 (1989). The fact that the FCC has granted ISPs an exemption from interstate access charges for policy reasons does not change the jurisdictional nature of ISP traffic from interstate access traffic to local. See Access Charge Reform, Notice of Proposed Rulemaking Third Report and Order and Notice of Inquiry, CC Docket No. 96-262, at 284-84 (Dec. 24, 1996). Indeed, by definition, ISP traffic would have to be an interstate access arrangement to which access charges would otherwise apply in order for the FCC to have jurisdiction to grant the exemption. BellSouth also denies that the portion of the call that occurs within the local exchange "is a separate and distinguishable transmission from any subsequent Internet connection enabled by the ISP." The FCC has repeatedly rejected such "two call" jurisdictional theories, employing instead an "end-to-end" analysis in determining the jurisdictional nature of the call. See, e.g., Petition for Emergency Relief and Declaratory Ruling filed by BellSouth Corporation, 7 FCC Rcd 1619 (1992), *aff'd Georgia Public Service Comm'n v. FCC*, 5 F.3d 1499 (11th Cir. 1993).

30. BellSouth admits that in *In re: Federal-State Joint Board on Universal Service*, Report and Order, CC Docket 96-45 (May 8, 1997) ("Universal Service Order"), the FCC exempted ISPs from universal service contributions. BellSouth denies the remaining allegations in Paragraph 30 and affirmatively asserts that nothing in the FCC's Universal Service Order lends credence to a finding that ISP calls originate on the network facilities of one local exchange carrier and terminate on the facilities of another for purposes of reciprocal compensation. Although WorldCom cites to provisions of the Universal Service Order which discuss the "components" of Internet access and which suggest that a connection to an ISP via the public switched network is "distinguishable" from the ISP's service offering, the FCC was not discussing reciprocal compensation in these provisions. Rather, the FCC was attempting to justify its decision that Internet access should not be eligible for universal service support and to exempt ISPs from universal service contributions.

31. BellSouth admits that in *In re: Access Charge Reform*, First Report and Order, CC Docket No. 96-262 (May 16, 1997) ("Access Charge Order"), the FCC continued its long-standing policy that ISPs should not be required to pay interstate access charges. BellSouth denies the remaining allegations in Paragraph 31 and affirmatively asserts that the FCC's Access Charge Order only treats ISPs as "end users" -- a term defined in the FCC's access charge rules -- "for purposes of the access charge system." Nothing in the FCC's Access Charge Order indicates an intent by the

FCC to forsake or limit its authority over interstate ISP traffic, either in the context of access charges or for purposes of reciprocal compensation. To the contrary, the FCC's most recent decision that ISPs should not be subject to interstate access charges is a demonstration of the FCC's continued jurisdiction over ISP traffic, which belies WorldCom's contention that such traffic is "local."

32. BellSouth admits that in *In re: Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, As Amended*, First Report and Order and Further Notice of Proposed Rulemaking. CC Docket No. 96-149 (Dec. 24, 1996) ("Non Accounting Safeguards Order"), the FCC concluded that when an interLATA telecommunications service from a Bell Operating Company ("BOC") Section 272 affiliate and an intraLATA information service provided by that affiliate or by the BOC itself are provided, purchased, and priced separately, "they do not collectively constitute an interLATA information service offering by the BOC"; rather the BOC provides interstate interexchange access in that circumstance. BellSouth denies the remaining allegations in Paragraph 32 and affirmatively asserts that nothing in the provision of the FCC's Non-Accounting Safeguards Order cited by WorldCom applies to the facts of this case or supports a finding that ISP calls originate on the network facilities of one local exchange carrier and terminate on the facilities of another for purposes of reciprocal compensation.

33. As to the allegations in Paragraph 33 of the Complaint, BellSouth admits that the FCC presently is conducting two proceedings to consider use of the public switched network by ISPs and that the FCC has continued to exercise its jurisdiction over ISP traffic. It is the jurisdictional nature of ISP traffic as interstate access traffic that permits the FCC to do so. It is precisely the same jurisdictional nature of ISP traffic that takes it outside the scope of reciprocal compensation.

34. BellSouth is without knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 34 of the Complaint. However, based upon information and belief, BellSouth asserts that the issue raised by US West in the arbitration proceedings referenced in Paragraph 34 was whether ISP traffic should be "exempted" from reciprocal compensation arrangements until the FCC issued its decision on access reform. To BellSouth's knowledge, the issue of whether calls to the Internet through ISPs that originate on one local carrier's network "terminate" on another local carrier's network was not considered, nor was the issue of whether ISP traffic is truly "reciprocal" for purposes of reciprocal compensation.

35. BellSouth is without knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 35 of the Complaint. However, from the documents attached as Exhibit F to the Complaint, it does not appear that the New York Public Service Commission has resolved the issue of whether calls to the Internet through ISPs that originate on one local carrier's network "terminate" on another local

carrier's network for purposes of reciprocal compensation or whether ISP traffic is truly "reciprocal" for purposes of reciprocal compensation.

36. BellSouth is without knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 36 of the Complaint. However, from the documents attached as Exhibit H to the Complaint, it appears that the Maryland Public Service Commission misconstrued the FCC's Access Charge Order, particularly since it recognized the possibility that ISP traffic is "jurisdictionally interstate" and that the "issue is currently being considered by the FCC and may ultimately be resolved by it."

37. BellSouth is without knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 37 of the Complaint, however, from the documents attached as Exhibit I to the Complaint, it appears that the Connecticut Department of Utility Control misconstrued the FCC's Access Charge Order and disregarded the well-established principle that the end-to-end configuration of a call determines its jurisdictional nature, not any intermediate switching or transport.

38. BellSouth is without knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 38 of the Complaint. BellSouth admits that the Virginia State Corporation Commission Order is attached as Exhibit J to the Complaint.

39. As to the allegations of Paragraph 39 of the Complaint, BellSouth admits that the Michigan Legislature enacted M.C.L. §484.2202(g), which requires the Michigan Public Service Commission to:

On before January 1, 1997, conduct a study of internet access provider locations to determine which exchanges can reach the nearest location only by making a toll call. The Commission shall then gather input from internet access providers, local exchange providers, and other interested parties and make a recommendation to the legislature as to the steps needed to allow all local exchange customers to access an internet provider by making a local call.

BellSouth is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 39 of the Complaint.

40. BellSouth denies the allegations in Paragraph 40 of the Complaint. BellSouth affirmatively asserts, that, when a BellSouth customer connects to BellSouth's own Internet service, it is providing an interstate access service, which is not prohibited under Section 271 of the Telecommunications Act of 1996. At present, Section 271 only prohibits BellSouth from providing interstate transport; BellSouth does not provide interstate transport when a BellSouth customer connects to BellSouth's own Internet Service.

41. BellSouth denies the allegations in Paragraph 41 of the Complaint. BellSouth affirmatively asserts that no anticompetitive harm results from ALECs not receiving "reciprocal" compensation for ISP traffic. To the contrary, such an

arrangement is the only way to ensure that ALECs and incumbent local exchange carriers receive absolutely equal, and competitively neutral treatment. BellSouth also asserts that it is illogical and unreasonable to even label as "reciprocal" the compensation scheme proposed by WorldCom since there is not "reciprocal" traffic associated with calls to ISPs. Rather than providing subsidies to ALECs through a regulatory compensation scheme that reflects imaginary "reciprocal" traffic, it is both reasonable and fair for WorldCom to recover the costs of providing service to ISPs directly, as BellSouth attempts to do. Furthermore, unlike BellSouth, WorldCom is free to charge appropriate access rates in order to compensate it fully for the cost of any services it provides to ISPs because WorldCom is not constrained by the FCC's access charge exemption.

42. BellSouth admits that certain ISPs have submitted written comments to the FCC requesting that the FCC find that ISP traffic is "local" in nature, although BellSouth is without knowledge or information concerning what "ISPs believe." BellSouth denies the remaining allegations in Paragraph 42 of the Complaint.

43. BellSouth admits that it offers an Internet access service to consumers. BellSouth denies the remaining allegations in Paragraph 43 of the Complaint and affirmatively asserts that WorldCom claims that BellSouth is seeking a "monopoly over access to the Internet" is ludicrous.

44. BellSouth admits that the FCC issued a decision rejecting Ameritech's application to provide interLATA service in Michigan, the terms of which speak for themselves. BellSouth also admits that it has complied in good faith with its obligations under Section 271 and that it is committed to the development of competition in the local exchange market. BellSouth denies the remaining allegations in Paragraph 44 of the Complaint.

45. BellSouth admits that the FCC issued a decision rejecting Ameritech's application to provide interLATA service in Michigan, the terms of which speak for themselves. BellSouth also admits that it has complied in good faith with its obligations under Section 271 and that it is committed to the development of competition in the local exchange market. BellSouth denies the remaining allegations in Paragraph 45 of the Complaint.

46. BellSouth admits that the FCC issued a decision rejecting Ameritech's application to provide interLATA service in Michigan, the terms of which speak for themselves. BellSouth also admits that it has complied in good faith with its obligations under Section 271 and that is it committed to the development of competition in the local exchange market. BellSouth denies the remaining allegations in Paragraph 46 of the Complaint.

WHEREFORE, having fully answered, BellSouth respectfully requests that the Complaint of WorldCom be dismissed.

Respectfully submitted this 22nd day of December, 1997.

BELLSOUTH TELECOMMUNICATIONS, INC.

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CERTIFICATE OF SERVICE
Docket No. 971478-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via
U.S. Mail this 22nd day of December, 1997 to the following:

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