BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of AT&T Communications of the Southwest, Inc.'s Petition for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement Between AT&T Communications of the Southwest, Inc. and GTE Midwest Incorporated.	)))))))	**Case No. TO-97-63**

ARBITRATION ORDER

Issue Date: December 10, 1996

Effective Date: December 10, 1996

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APPEARANCES

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and

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and

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and

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and

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Michael F. Dandino, Senior Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri, 65102, for the Office of the Public Counsel and the public.

ADMINISTRATIVE
LAW JUDGE: **L. Anne Wickliffe, Deputy Chief.**

ARBITRATION ORDER

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Procedural History

AT&T Communications of the Southwest, Inc. ("AT&T") filed a Petition for Arbitration with GTE Midwest Incorporated ("GTE") on August 15, 1996, asking the Commission to arbitrate an interconnection agreement between AT&T and GTE. The petition was filed pursuant to the Federal Telecommunications Act of 1996 ("the Act")[1]. GTE filed a motion to dismiss on the grounds that GTE qualifies for the rural company exemption set out in § 251(c) of the Act. The Commission denied GTE's motion to dismiss, adopted a protective order and established an expedited procedural schedule. Under the Act a state commission must resolve all issues under arbitration no later than nine months after the date on which the local exchange carrier (in this case GTE) received a request for interconnection from the petitioner. Since GTE received AT&T's written

[1]All statutory references are to the Federal Telecommunications Act of 1996.

request on March 12, 1996, this case must be resolved no later than December 12, 1996.

The Commission permitted no interventions in this case, other than the Office of the Public Counsel ("OPC"), and allowed only limited discovery because of the expedited schedule. The parties submitted an Issues Memorandum on October 24, 1996, setting out more than 60 unresolved issues. The Commission conducted an arbitration hearing October 28 through November 5, 1996. The parties filed post-hearing briefs.

There were a number of late-filed exhibits, none of them eliciting objections. Late-filed exhibit 56 (NRC Cost Study Assumptions) offered by GTE, and late-filed exhibits 57 (Revised Economic Lives), 58 (NID Expense Fluctuations), and 59 (Rate Comparison document), offered by AT&T will be received into evidence.

Finally, the parties submitted at the eleventh hour stipulations on sixteen issues. Some of the issues stipulated to were not presented to the Commission for arbitration. Those stipulations are attached to this Arbitration Order as Attachment C.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

A. General Discussion.

The parties to this case submitted a dismaying number of issues to the Commission for resolution. In many cases, the parties advised the Commission that they were agreed in principle but that GTE refused to make any specific agreement without agreement on pricing. That left the Commission with the task of resolving multiple issues that could have been resolved by the parties. The Commission asked GTE to generate Hatfield Cost Model outputs using the inputs chosen by GTE. GTE failed to complete that task, arguing that they did not maintain data in the proper format for inputting into the Hatfield Cost Model. The Commission is not pleased with the quality of the data presented by the parties and, in particular, by GTE. GTE has been less than forthcoming with information, information over which GTE has exclusive control. GTE presented witnesses often unfamiliar with the cost studies presented and unable to answer many of the legitimate questions posed by counsel and from the bench. In short, the Commission has been less than pleased with the efforts made at good faith negotiation by the parties to this case and again, in particular, by GTE.

Given the paucity of supportive detail to GTE's cost studies, and the novel and untried nature of the Hatfield Cost Model used by AT&T, the Commission will rely on "the best information available to it from whatever source derived" as permitted by the Act. § 252(b)(4)(B). The Commission has made modifications to the material presented by GTE and, in some cases, relied on tariffed rates or used FCC default proxy rates as evidence of reasonableness. GTE has adamantly maintained positions inconsistent with, and even diametrically opposed to, the clear language of the Act and of the unstayed portions of the FCC's First Report and Order, 96-325, on implementation of the Act ("FCC Order")[2]. Therefore, the Commission finds that the rates established by this Arbitration Order should be interim rates pending a thorough investigation of costing issues for GTE.

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[2] ***In the Matter of Implmentation of the Local Competition Provisions in the Telecommunications Act of 1996***, CC Docket No. 96-98, and ***In the Matter of Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers***, CC Docket No. 95-185, First Report and Order (Fed. Comm. Comm'n, Aug. 8, 1996); partially stayed by ***Iowa Util. Board v. FCC***, No. 96-3321 (8th Cir., Octo. 15, 1996)(order granting stay pending judicial review).

B. Specific Issues Presented for Arbitration.

1. What is the proper methodology for determining the prices for GTE resold services?

GTE's position is that wholesale prices should be based on avoided, not avoidable, costs. Prices for resold services should equal retail rates minus net avoided cost, plus opportunity cost (cost of the foregone alternative). Net avoided costs should equal avoided retail costs plus the costs of providing wholesale services. GTE performed two types of avoided cost studies and proposed a discount from retail on resold services of from 7 percent to 11.81 percent.

AT&T argues that Resale Pricing should be based on avoided costs as defined by the FCC. 47 C.F.R. § 51.609[3] defines "avoided retail costs" as those costs that reasonably can be avoided. **See** also § 252(d)(3); FCC Order ¶ 911. AT&T computed a discount rate of 39.43 percent, later amended on the record to approximately 36 percent. (Tr. 193, 205). AT&T also proposed that, should the Commission be unwilling to accept its discount figure, the Commission should consider imposing a 25 percent discount, the top of the FCC default range. 47 C.F.R. § 51.611(b); FCC Order ¶ 933.

OPC agrees that the resale discount should be based on retail prices, less avoided costs. OPC does not support GTE's position that GTE should recover its opportunity costs.

The Act states that wholesale rates must be based on retail rates less any portions attributable to "any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier."

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[3]All future references to the Code of Federal Regulations are indicated by "Reg." or "Regs.".

§ 252(d)(3). The FCC Order states that the words "costs that will be avoided" in that section includes all of the costs an incumbent LEC would no longer incur if it ceased retail operations and provided all its services through resellers. FCC Order ¶ 911. The Order also provides a beginning point for calculating an appropriate discount by specifying the cost categories that should be presumed to be avoided (accounts 6611-6613, 6621-6623, 6121-6124, 6711, 6721-6728), or not avoided (plant-specific and plant nonspecific expenses) in providing services for resale. FCC Order ¶¶ 917-919. A Missouri-specific calculation using that basic starting point yields a discount of 26.93 percent. The FCC doesn't specify that uncollectibles should be treated as 100 percent avoidable, despite the fact that when AT&T resells GTE services it is AT&T that runs the risk of nonpayment by the end user. When the discount rate is adjusted to include uncollectibles as a 100 percent avoided cost, the resulting discount figure is 31.08 percent. The FCC calculated a GTE nationwide default resale discount rate of 18.81 percent. **See** FCC Order ¶ 930. However, the FCC calculated a discount of 12 percent for GTE California. ***Id.*** *at* 899. These divergent figures raise a concern that GTE may be allocating a disproportionate amount of its costs to Missouri and other states. For example, GTE allocated approximately $250,000 to its Missouri operations for airplanes that are used exclusively in the state of Texas. (Tr. 254, lines 4-15.)

The Commission finds that a discount of 31.08 percent results in just and reasonable rates for resold basic local telecommunications services. The parties should prepare an interconnection agreement that incorporates rates reflected in Attachment A to this Arbitration Order entitled "Resale Cost Study for GTE."

Issues 1(A) through 1(H): GTE presented evidence at the arbitration hearing that some of the costs sought to be excluded by AT&T as avoided costs are not avoided in their entirety. There are still some advertising, general administrative, product management, testing and sales expenses that will accompany wholesale provision of these resold services. The Commission makes the following specific findings:

1(A). Are advertising expenses in their entirety an avoided cost?

The Commission finds that advertising expenses, account 6613, are 90 percent avoided.

1(B). Are Call Completion Costs (Operator Services) in their entirety an avoided cost?

The Commission finds that call completion costs (operator services), account 6621, are 100 percent avoided as to AT&T's basic local service resale customers.

1(C). Are number service costs (Directory Assistance) in their entirety an avoided cost?

The Commission finds that number service costs (Directory Assistance), account 6622, are 100 percent avoided as to AT&T's basic local service resale customers.

1(D). Are General & Administrative costs an avoided cost when GTE is wholesaling a local service?

The Commission finds General & Administrative costs are 14 percent avoided; this category includes accounts 6121-6124, 6711-6712 and 6721-7828.

1(E). Are Product Management costs in their entirety an avoided cost?

The Commission finds that product management costs, account 6611, are 90 percent avoided.

1(F). What percentage of Testing and Plant Administration costs are an avoided cost?

The Commission finds that Testing and Plant Administration costs, accounts 6533-6534, are not avoided when GTE provides service for resale.

1(G). What percentage of sales expenses is an avoided cost?

The Commission finds that sales expenses, account 6612, are 90 percent avoided when GTE acts as a wholesale provider of resale services.

1(H). What percentage of uncollectible expenses is an avoided cost?

The Commission finds that, because AT&T runs the risk of nonpayment as to its basic local service customers, GTE's uncollectible expenses, account 5301, are 100 percent avoided.

1(I). Does the Act's methodology for determining wholesale rates recognize any new costs that might be caused by the requirement to offer services for resale?

Although it is conceivable that GTE will incur costs associated with the wholesale provision of services for resale other than the advertising, administrative, product management, testing and plant administration and sales expense included above as costs that are not avoided, GTE presented the Commission no wholesale costs or data from which to derive wholesale costs.

1(J). Is a volume discount appropriate in a resale environment, and if so, what should the discount be?

The Commission finds that volume and term discounts are appropriate in a resale environment. GTE must make available to AT&T on a nondiscriminatory basis whatever volume and term discounts it offers at retail.

2. Should the Commission adopt the FCC's "default proxy" discount rates?

GTE's position is that the Commission should not adopt the FCC's "default proxy" discount rates. GTE believes that this Commission has the duty to establish wholesale rates under the Act and the FCC exceeded its statutory authority in attempting to preempt states in this area. GTE also argues that its cost studies demonstrate that the FCC default proxy rates are below cost and they should not be applied even temporarily. GTE asserts that if the Commission applied the default proxy rates even on an interim basis it would result in irreversible harm to GTE in loss of market share and constitute an unconstitutional taking of GTE's property.

AT&T takes the position that if the Commission should find that there is no reliable state specific cost data for establishing rates the Commission should impose a resale discount of 25 percent which is within the FCC default range. AT&T proposes that unbundled element prices be based on Hatfield Cost Model outputs for Missouri.

OPC has proposed that the Commission rely on the FCC default proxy rates, not as outcome determinative, but as evidence. In other words, the Commission may use the proxy rates as an alternative source of input for determining the reasonableness of the parties' proposals.

This Commission prefers to set rates based on well-designed, reliable cost studies using Missouri-specific cost data. In this case there are numerous instances where no proposed rates are offered by the parties and no data has been offered that would enable the Commission to compute appropriate rates. In those instances, the Commission has no option but to rely on the FCC proxy rates as the only information the Commission has available to it. **See** § 252(b)(4)(B). In using FCC proxy rates, this Commission is not endorsing the methodology on which they are based or proposing these rates as permanent or appropriate in all instances.

3. How should the cost of interconnection and unbundled network elements be calculated, and what prices should be established?

GTE points out that the Act recognizes that pricing must cover all of the ILEC's (incumbent local exchange companies) costs, including a reasonable share of joint and common costs. GTE states that even the FCC agrees that a TELRIC (total element long-run incremental cost) methodology does not recognize such costs. GTE argues that its proposed rates are consistent with the Act and recognize a reasonable share of joint and common costs. GTE submits that its common costs equal more than one-third of total costs, a much higher figure than the ten percent figure derived by the Hatfield Cost Model proposed by AT&T.

AT&T has requested GTE to set the prices for unbundled network elements and network element combinations at TELRIC consistent with FCC Reg. § 51.505. AT&T argues that GTE has not provided necessary cost information from which to calculate TELRIC costs so AT&T has used Hatfield Cost Model outputs for Missouri. AT&T argues that the Hatfield Cost Model complies with the FCC's requirements for forward-looking incremental costing studies and should be used to set the prices for unbundled network elements in this case.

OPC's position is that the ideal rates would be based on TELRIC, excluding embedded costs and opportunity costs. The best alternative is to adopt the FCC default proxy rates as interim rates for this case pending a thorough examination of costing and pricing in a competitive environment.

The Commission is not prepared to adopt in total either of the parties' proposed pricing methods. GTE's methodology does not conform to the FCC's Order calling for a forward-looking model based on an efficient telecommunications company. GTE's model is designed to maintain GTE's monopoly revenue stream by recovering "opportunity costs" (essentially lost retail profit) to make GTE whole rather than produce competitive wholesale prices. GTE also includes universal service funds in the equation, resulting in an overstatement of its costs. GTE has based its costs, in some instances, on inflated network requirements. For instance, GTE's local loop cost assumes the use of a five-pair drop to each end user, despite the fact that the standard NID is designed to accept only a two-pair drop.

The Hatfield Cost Model is extremely new, the version at issue having been first introduced in 1996. This cost model, like other proxy models, is a work in progress, and has not been thoroughly tested in the market. In this proceeding the Commission finds that the Hatfield Cost Model cannot be used to set rates for all unbundled network elements. It is unable to generate proposed rates for non-recurring charges which constitute a large portion of the cost of providing basic local service. The Hatfield Cost Model currently develops costs at the wire center level; a reconfiguration to develop costs at the exchange level would make this model more useful since a new entrant must provide service to an entire exchange within which prices should be uniform. In short, the Hatfield Cost Model at its present stage of development is not an ideal instrument for the setting of rates for unbundled network elements.

The Commission finds that in the absence of reliable costing data the prices established in this proceeding must be interim rates. These rates will be subject to adjustment when the Commission is able to conduct a thorough examination of the costing issues in a proceeding conducted with the benefit of full discovery. The Act provides that if the parties to an arbitration fail to provide the necessary information for resolution of the issues the state commission may rely "on the best information available to it". § 252(b)(4)(B). In some instances, the Commission will make adjustments to the costs submitted by GTE to conform them more closely to proper TELRIC methodologies. In others, the Commission will use Hatfield Cost Model outputs to set interim rates. The Commission will also adopt other tariffed rates, agreed upon compensation arrangements or FCC default rates as proxies for rates that cannot be set accurately with the data presented by the parties. The parties should prepare an interconnection agreement that incorporates the rates reflected in Attachment B to this Arbitration Order entitled "Unbundled Network Elements — Interim Rates."

4. What rates are appropriate for transport and termination of local traffic?

GTE's position is that rates for transport and termination should be based on each entity's own costs. GTE proposes use of its interstate access rates. However, GTE has agreed to a Bill and Keep compensation arrangement for transport and termination of local traffic only, presuming approximately equal traffic on the two networks.

AT&T proposes that the parties use a Bill-and-Keep mechanism for at least the first nine months after AT&T begins providing basic local service to end users. Bill-and-Keep could be maintained after the initial period unless there is a significant and continuing disparity in the levels of traffic terminated on the two networks.

OPC proposes use of the FCC proxy default values as evidence of reasonable rates for transport and termination of local traffic. OPC takes no position on the issue of a Bill-and-Keep mechanism.

The Commission agrees with the parties that a Bill-and-Keep mechanism, at least initially, is a reasonable resolution of this issue. The parties shall prepare a provision to implement a Bill-and-Keep compensation method for transport and termination of local traffic for an initial period of twelve months, with a 10 percent threshold. The parties shall include a methodology for determining the comparative levels of traffic on the two networks during the twelve months. Should the parties find that a periodic true-up is required, or that Bill-and-Keep is not appropriate, the parties should apply GTE's interstate rates. For dedicated transport the applicable rates would be the Interstate Dedicated Switched Transport rates. For common transport the applicable rates would be the Interstate Direct Trunked Transport Rates. The parties should also include a provision for alternative dispute resolution in the event of disputes that cannot be resolved by reference to these rates.

5. Should Bill-and-Keep be used as a reciprocal compensation arrangement for transport and termination of local traffic on a temporary or permanent basis?

See Issue 4, ***supra***.

6. What method should be used to price interim number portability and what specific rates, if any, should be set for GTE?

GTE's position is that GTE should recover its total costs for providing interim number portability (INP), "and that its costs should be determined based on the network in place today, and allowing for capital, transport and termination, and opportunity and investment costs." GTE proposes that the Commission adopt the specific rates presented by GTE.

AT&T argues that interim number portability should be priced according to FCC pricing principles to ensure that costs are allocated on a competitively neutral basis.

OPC agrees with AT&T that interim number portability pricing should be on a competitively neutral basis in compliance with the Act. Both AT&T and OPC cite to the FCC's pending proceeding and order: ***In the Matter of Telephone Number Portability***, Docket 95-116, Order adopted June 27, 1996.

GTE has presented no evidence of what the costs of implementing INP will be. The Commission finds that recovery of the costs for INP should be made in a competitively neutral manner from all LSPs. **See** § 251(e)(2). Assigning 100 percent of the costs to either party would be inequitable. AT&T and GTE should submit to this Commission their proposed rates for INP solutions along with supporting documentation including cost data, methodology description, assumptions and rationale. In addition, the parties should submit a proposed timeline for implementation of each of the solutions approved by the Commission in this Arbitration Order (RCF, DID, route indexing – DN-RI and RI-PH, and LERG Reassignment). The parties shall submit proposed rates for these elements once the INP solutions become operative. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

7. What method should be used to price collocation?

Prices for collocation are subject to the same dispute regarding methodology as other unbundled network elements. **See** Issue 3, ***supra***. A repetition of that discussion here is unnecessary.

The Commission finds that, until adequate costing studies are available, collocation should be priced on an individual case basis (ICB). The ultimate goal should be to develop standardized pricing that is competitively neutral. However, until the market has developed with GTE acquiring experience and collocation data, ICB pricing will enable GTE to accommodate new entrants. The Commission finds that instituting ICB pricing for collocation is in the public interest in that it will avoid delay in obtaining the data necessary to produce well-documented standard prices. The companies should submit for approval, as part of the interconnection agreement, provisions for general terms and conditions regarding collocation.

The parties shall submit their proposed rates for collocation no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

8. What is the proper way to charge for access to poles, ducts, conduits and rights-of-way?

GTE's position is that if a state (or GTE's tariff) regulates these kinds of attachments, then the state regulations or tariff should apply. The FCC has not yet promulgated rules on this subject. GTE recommends that any rate for attachments be imposed subject to a "true up" once lawful rates are established.

AT&T argues that prices must be set at TELRIC, be nondiscriminatory, and be imputed into GTE's own local service rates. Prices for pathway facilities should be effective for the term of the Interconnection Agreement.

OPC advocates the use of the FCC proxy default rates as emergency interim rates.

Costing studies that the Commission considers adequate for establishing TELRIC-based prices are not available at this time. Because GTE is currently providing access to its outside plant facilities for cable television (CATV) providers, the Commission finds that the current rates for CATV access to poles, ducts, conduits and rights-of-way are acceptable surrogates for providing the same access to AT&T. AT&T should pay GTE the same prices for access to outside plant facilities, including the same administrative fees, that CATV companies currently pay. The parties should prepare an interconnection agreement provision that incorporates these rates.

9. What GTE services should be required to be made available for resale at wholesale rates?

GTE has agreed to make its retail services available on a wholesale basis except for below-cost services, promotional services, nonrecurring charges, ICB services, access services, operator services and directory assistance services where no discount applies. GTE does not believe its basic local residential and business services should be available for resale as GTE claims they are below-cost services.

AT&T argues that GTE services available for resale should include all services offered at retail to end users, including promotional (more than 90 days), proprietary, enhanced, grandfathered, packaged, individual customer based, contracted and sunsetted services.

OPC agrees with AT&T that the competitive environment requires that all services be made available for resale. OPC argues that GTE has presented no evidence to support its contention that offering certain of its services for resale would impair network integrity or be economically infeasible.

The Commission is persuaded that the goal of a competitive environment, as well as the plain language of the Act, require GTE to make available for resale at wholesale rates all services it provides at retail to subscribers who are not telecommunications carriers. The FCC Order makes it clear that promotions of more than ninety days, below-cost services, grandfathered services, contracted and customer-specific services must be made available for resale. FCC Order ¶¶ 871, 948, 956, 968. Short-term promotions of less than ninety days must also be made available for resale but should not be subject to the wholesale discount. The Commission finds that GTE must make available for resale all the services it provides at retail to noncarrier telecommunications subscribers. The Commission finds that GTE need not offer a discounted wholesale rate for promotions of less than ninety days duration.

10. Should GTE be required to offer for resale at wholesale rates services to the disabled, including special features of that service such as free directory assistance service calls, if that service is provided by GTE?

GTE's position is that mandated social programs that provide for discounts or special rates are the responsibility of the CLEC (competitive local exchange company). Further, it is the CLEC's responsibility to verify and document its own customer's status.

AT&T argues that GTE must make each of its retail service offerings available for resale without unreasonable or discriminatory conditions or limitations, including wholesale rate services for the disabled.

OPC agrees that these services should be available for resale without restriction and points out that they are not exempted by the Act or by the First Report and Order. OPC states that the wholesale price should reflect the retail price even if discounted less the avoided costs of offering this type of service.

The Commission finds that GTE should make available for resale services for the disabled, including free directory assistance, without restriction. § 251(c)(4)(A). However, the Commission finds that no discount should be applied to these services.

11. What resale restrictions should be permitted, if any?

GTE's position is that AT&T should be prohibited from "cross-class selling," i.e., reselling a particular service to customers not of the class for whom the service was designed. GTE also argues that below-cost services, promotional services, nonrecurring charges, ICB services, access services, operator services, and directory assistance services should not be made available for resale.

AT&T argues that GTE must make each of its retail service offerings available for resale without unreasonable or discriminatory conditions or limitations.

OPC's position is that the only proper restrictions on resale are those to prevent cross-class restrictions on resale of residential and low income customer services to business class or nonqualifying customers.

The Act prohibits unreasonable or discriminatory restrictions on resale of services. The Commission finds that the only proper restrictions on resale are those to prevent cross-class restrictions on resale of residential and low income customer services to business customers or nonqualifying customers. § 251(c)(4); FCC Reg. §§ 51.603, 51.609. Special restricted educational services should be restricted to eligible educational institutions as well.

12. What is a reasonable period for advance notification of new services?

The parties have reached agreement on this issue. Their agreement is in Attachment C to this Arbitration Order, Stipulation Concerning Advance Notice of Network and Technology Changes, Price Changes, and Introduction of Modification of Services.

13, 14 and 15. Should GTE be required to offer public coin pay phone, semipublic pay phone, and COCOT coin and COCOT coinless lines to AT&T at wholesale rates?

GTE's position is that these services do not come under the category of the types of services it must offer for resale at wholesale rates. GTE offers to provide COCOT coin and coinless line services under terms of applicable tariffs.

AT&T argues that the services that independent public pay phone providers obtain from GTE are telecommunications services which should be available to telecommunications carriers at wholesale rates.

Section 251(b)(1) of the Act states that a LEC is under an obligation not to prohibit the resale of its telecommunications services. It further requires an incumbent LEC to provide for resale "any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers." § 251(c)(4)(A). The Commission finds that GTE must offer public coin pay phone, semi-public pay phone, and COCOT coin and COCOT coinless lines to AT&T for resale. Services that GTE does not offer at retail are not subject to a wholesale discount.

16. Should each and every retail rate have a corresponding wholesale rate?

GTE makes essentially the same argument made for Issue 9, i.e., GTE is willing to make available retail services on a wholesale basis except for below-cost services, promotional services, nonrecurring charges, ICB services, access services operator services and directory assistance services where no discount applies.

AT&T's position is that wholesale pricing structure should mirror GTE's retail pricing structure, as, for example, in volume discounts, flat or measured charges, etc.

OPC's position is that GTE should establish a wholesale rate for every retail rate based on avoided costs. OPC proposes that, in the interim, a resale discount can be used to approximate avoided costs.

This issue is resolved by the Commission's findings on Issues 1 and 9.

17. Should GTE be required to route operator services and directory assistance (OS and DA) calls to AT&T's platforms where AT&T purchases resold services under Section 251(c)(4) or state law?

__See__ Issue 18, ***infra.***

18. Should GTE be required to route operator services and directory assistance (OS and DA) to AT&T's platforms where AT&T purchases unbundled network elements under Section 251(c)(3) or state law?

GTE's position is that it is not required to unbundle portions of OS/DA that are not sold separately at retail. GTE states that it will provide those aspects of OS/DA that it currently offers at retail along with local service at just and reasonable rates for its avoided costs. GTE argues that AT&T tries to avoid this issue by seeking OS/DA as an unbundled item, which would require customized routing.

AT&T's position is that GTE is required by the Act to unbundle the functionalities for OS and DA in connection with resold services, to the extent technically feasible, citing § 251(c)(4) and FCC Order ¶ 536. AT&T argues that GTE must prove to the state commission that customized routing in a particular switch is not technically feasible. FCC Order ¶ 418.

The FCC Order, ¶ 536, requires incumbents to provide customized routing, to the extent technically feasible, including routing to a competitor's operator services or directory assistance platform. GTE has agreed to unbundle its OS and DA services. __**See**__ Attachment C (Stipulation Concerning Operator Systems). The Commission finds that GTE should also provide customized routing. The Commission established a schedule for SWBT to provide customized routing in Case No. TO 97-40/67[4]; the Commission finds that GTE should follow the same schedule: GTE shall provide customized routing on switches with the capability and capacity starting March 1, 1997, with complete implementation on those switches by June 30, 1997 for resold and unbundled services. For switches lacking the existing capacity/capability, GTE must develop alternative forms of customized routing which shall be implemented by December 31, 1997.

19. Should GTE be required to provide access to its directory assistance database so that AT&T may provide its customers with AT&T branded directory assistance?

GTE's position is that Section 222(e) restricts the obligations of the ILEC to providing subscriber lists for the purposes of publishing only.

AT&T argues that GTE must provide access to its OS and DA databases upon request, including access to read the database and to enter AT&T customer data, citing § 251(c)(3) and FCC Order ¶ 538.

OPC's position is that a unified directory assistance database is necessary to maintain a fully integrated telephone network. OPC argues that if a new entrant does not have access to the incumbent directory database or its customers are not part of the incumbent's database, then the new entrant's service will be considered inferior.

The Commission finds that AT&T's position is correct. GTE must permit AT&T access to its DA database as required by the FCC Order.

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[4]Case No. TO-97-40, ***AT&T Communication's Petition for Arbitration to Establish Interconnection Agreement with SW Bell;*** consolidated with Case No. TO-97-67, ***MCI's Petition for Arbitration and Mediation with Southwestern Bell Telephone.***

20. Should GTE be required to provide directory listing information to AT&T via electronic data transfer on a daily basis so that AT&T may update its directory assistance database and provide its customers with AT&T branded directory assistance?

GTE's position is that Section 222(e) restricts the obligations of the ILEC to providing subscriber lists for the purposes of publishing only.

AT&T's position is that the quality of access to the directory assistance database as a network element must be equal to that provided by GTE to itself, citing to § 251(c)(3); and FCC Order ¶¶ 312-316, 523-525.

For the Commission's findings, <u>**See**</u> Issues 45, 46 and 47, ***infra.***

21. Should GTE be required to accommodate AT&T's branding requests concerning operators and directory assistance?

GTE's position is that its obligations extend to selling its existing services, and not creating new ones.

AT&T requests that these services be branded in the limited situations where GTE will provide OS and DA to AT&T customers. "[W]here operator, call completion, or directory assistance service is part of the service or service package an incumbent LEC offers for resale, failure by an incumbent LEC to comply with reseller branding requests presumptively constitutes an unreasonable restriction on resale." § 251(c)(4); <u>***see also***</u> FCC Order ¶ 971.

The Commission finds that GTE should accommodate AT&T's branding requests and provide unbranding where rebranding is technically infeasible. GTE should begin performing the necessary software upgrades to allow rebranding in the reseller's name, and utilize the customized routing and separate trunk group method in the interim. In addition, unbranding for

OS and DA calls handled by live operators should be provided in any instances where rebranding is not technically feasible.

Certain other branding issues have been resolved by the parties. **See** Attachment C (Stipulation Concerning Repair Calls; Stipulation Concerning Branding Issues).

22. Should GTE make secondary distributions of directories to AT&T's customers without charge?

The parties have resolved this issue. **See** Attachment C (Stipulation Concerning Directory Issues).

23. How should PIC changes be made for AT&T's local customers and should GTE identify PIC charges separately?

GTE originally took the position that it should be permitted to continue the industry process of updating PIC (primary interexchange carrier) changes for AT&T customers upon receipt of an electronic PIC change request and that any IXC (interexchange carrier) should be allowed to use the PIC process to change the primary IXC on any GTE network provided account. AT&T argued that as the local exchange carrier, AT&T should receive requests to implement PIC changes for its customers. GTE modified its position at the arbitration hearing, agreeing that GTE will reject IXC changes submitted by interexchange carriers for AT&T local service customers beginning January 1, 1997. GTE will accept PIC changes for AT&T customers only from AT&T.

The Commission finds this resolution of the manner of making PIC changes acceptable. The Commission further finds that the current PIC charge of $3.92 is an appropriate surrogate for customers changing their LSP from GTE to AT&T.

24. What authorization is required for the provision of customer account information to AT&T?

GTE argues that its customer information is proprietary under the Act and should not be disclosed without written end user authorization. GTE believes that AT&T's marketing person should ask the customer for the vertical features subscribed to and confirm availability from SAG (street address guide) and Product and Service Guide. GTE believes converting accounts "as is" would encourage slamming because the "as is" process would discourage communication with the end user.

AT&T's position is that a customer's service record may be disclosed for the purpose of enabling the new carrier to provide service under the exception in § 222(d) of the Act. AT&T argues that GTE should not refuse to execute a change "as is" service order for a customer switching to AT&T local service. §§ 222(d), 251(c)(4); FCC Order ¶¶ 516-523.

OPC's position is that the incumbent LEC should not release customer account information without customer authorization. However, the nondisclosure should not serve as an excuse or obstacle to timely transfer of service between local exchange companies.

The FCC Order concludes that the incumbent LEC's Operations Support Services (OSS) are subject to nondiscriminatory access under § 251(c)(3) of the Act. The incumbent LEC must provide the same, nondiscriminatory access to OSS for pre-ordering, ordering, provisioning, maintenance and repair, and billing as the LEC provides itself. This includes information regarding the facilities and services assigned to individual customers. Requiring AT&T to have written authorization to access customer information would be discriminatory unless GTE requires written authorization for itself. Any additional requirement would be discriminatory and could be a barrier to entry. The Commission finds that

AT&T should have access to GTE's Operations Support Systems including customer account information on a nondiscriminatory basis. The Commission further finds that GTE should process account changes "as is." GTE failed to show that "as is" customer changes will result in an increase of slamming. Since "as is" customer changes would allow a customer to switch carriers with a minimum of disruption, it should be permitted.

25. Should GTE be required to perform loop testing on every new line under AT&T's standard of acceptance, and provide reports of test results to AT&T?

The parties have resolved this issue. **See** Attachment C (Stipulation Concerning Loop Testing).

26. Should GTE be required to provide dialing parity through presubscription, and if so, on what schedule?

The parties have reached agreement regarding dialing parity. **See** Attachment C (Stipulation Concerning Dialing Parity).

27. Should the contract include terms which require GTE to provide resold services, unbundled network elements, ancillary functions and interconnection on terms that are at least equal to those that GTE uses to provide such services and facilities to itself?

GTE's position is that the Act requires that GTE not discriminate between competitive providers in providing services for resale and access to unbundled elements. GTE states that it will provide the services it is required to offer under the Act in a nondiscriminatory manner and at the same quality standards applicable to its other customers.

AT&T argues that GTE must provide services that are equal in quality to those it provides itself, are subject to the same conditions, and are provided within the same provisioning time intervals, citing to FCC Regs. § 51.603 and § 51.311(b). AT&T also states that the quality of access to an unbundled network element must be superior to that which GTE provides to itself when AT&T requests this and it is technically feasible.

§ 251(c)(2), (c)(3) and (c)(4); FCC Order ¶¶ 66, 312-316; FCC Reg. § 51.311(c).

OPC's position is that GTE must provide AT&T and other new entrants with the same quality of service and facilities it provides to itself.

GTE's position is anticompetitive in that it could allow GTE to provide inferior services to its competitors which would severely limit their ability to compete. GTE must provide services that are equal in quality to those it provides itself. That is the essence of the Act's requirement of nondiscriminatory access. GTE must provide a quality of service superior to the service quality it provides itself if AT&T requests such services and it is technically feasible. AT&T's position is reasonable and consistent with the Act. However, when AT&T requests superior quality, then AT&T must compensate GTE for the enhancements necessary to insure that level of superior service.

28. Must GTE deploy its resale and unbundled offerings in specific time frames, with service guarantees, and provide for remedial measures for substandard performance?

GTE states that it will provide services on a nondiscriminatory basis but is not willing to meet unique standards for all services to AT&T local customers.

AT&T's position is that GTE should have to satisfy explicit performance and quality measures with accompanying remedial procedures. AT&T argues that without such processes GTE would be left to police itself. GTE, as a monopoly supplier/competitor, would have the ability to manipulate the service quality of its competitors in order to advance its own business interests. AT&T cites to § 252(c)(3), and FCC Order ¶¶ 55, 970.

OPC's position is that GTE must provide services in a time frame, and with service quality guarantees, as required under the Commission's quality of service rules so that a competing local exchange company can meet these standards and not be hindered in meeting them by GTE's action.

The Commission finds that GTE should provide time and service guarantees at least equal to those it provides to itself. To the extent that AT&T's requested standards exceed GTE's own standards, or to the extent that they exceed this Commission's standards, AT&T will bear the cost of the enhancements. The Commission approves AT&T's proposed contractual language for reciprocal reimbursement for loss of service and remedial measures for substandard performance. **See** AT&T's revised proposed Interconnection Agreement, I(5) Liability and Indemnity.

29. Should GTE be compelled to provide the same number of directory pages to AT&T as GTE has for its own use for branded service information?

The parties have resolved this issue. **See** Attachment C (Stipulation Concerning Directory Issues).

30. What unbundled network elements should be provided to AT&T?

The parties have reached some agreements regarding unbundled elements to be found in Attachment C to this Arbitration Order. To the extent the parties have not agreed, the Commission orders GTE to make available the following unbundled network elements without restriction: (1) local loop; (2) loop cross-connect; (3) network interface devices; (4) local switching; (5) tandem switching; (6) dedicated and common interoffice transport; (7) signaling and call related databases; (8) operations support systems; and (9) operator service and directory assistance. AT&T may not be required to own or control any of its own local exchange facilities before it can purchase or use unbundled elements to provide a telecommunications service.

31. To what extent should AT&T be permitted to combine network elements?

__See__ Issue 32, ***infra***.

32. Should AT&T be permitted to request a combination of network elements which would enable it to replicate any services GTE offers for resale?

GTE states that "AT&T may lease and interconnect to whichever of these unbundled network elements AT&T chooses, and may combine these unbundled elements with any services or facilities that AT&T may itself provide, pursuant to the following terms: I. Interconnection for access to unbundled elements shall be achieved via expanded interconnection/collocation arrangements; II. AT&T shall maintain at the wire center at which the unbundled services are resident ***[sic]***; III. Each loop or port element shall be delivered to AT&T collocation arrangement over a loop/port connector applicable to the unbundled services through other tariffed or contracted options; and IV. AT&T may combine unbundled network elements with AT&T's own facilities. AT&T shall not combine unbundled network elements purchased from GTE to bypass resale offerings." GTE argues that such a recombination of GTE's unbundled elements would eliminate the distinction in the Act between resale and unbundled elements and allow AT&T to avoid access charges.

AT&T's position is that there should be no restrictions on AT&T's ability to combine network elements. AT&T has requested a total of eight different combinations of unbundled elements: (1) Unbundled Network Element Platform with Operator Systems; (2) Unbundled Network Elements Platform without Operator Systems; (3) Loop Combination; (4) Loop/Network Combination; (5) Switching Combination No. 1; (6 - 8) three other network element combinations would be subject to a Bona Fide Request process: Switching Combination No. 2, Switching Combination No. 3, and Switched Data Services. AT&T cites to § 251(c)(3), FCC Order ¶¶ 292-294, 328-329, and FCC Regs. §§ 51.309, 51.315.

OPC's position is that an incumbent LEC should not be able to restrict the ability of a new entrant to fashion leased elements in a network to provide competing service. OPC argues that such restrictions would defeat the benefit of competition to create efficient neworks and reduce costs. The terms and conditions of the lease should not defeat the purpose of unbundling and should not pose a barrier to entry by creating unreasonable and artificial limitations on the use of elements.

GTE's attempt to restrict AT&T's ability to combine unbundled network elements in order to bypass resale offerings is in direct conflict with the Act, § 251(c)(3), which requires an incumbent to "provide such unbundled network elements in a manner that allows requesting carriers to combine such elements in order to provide such telecommunications service." A CLEC should be able to provide services either through resale or through any technically feasible combination of unbundled network elements. The Commission finds that the terms and conditions of the interconnection agreement should not unreasonably restrict AT&T's ability to combine network elements. AT&T should not be prevented from combining purchased network elements to bypass resale offering.

33. Is sub-loop unbundling technically feasible, and if so, under what terms and conditions should it be offered?

The parties have reached some agreements regarding sub-loop unbundling to be found in Attachment C to this Arbitration Order. To the extent the parties have not agreed, the Commission orders GTE to make available the following sub-loop elements without restriction: (1) loop distribution plant; (2) loop concentrator/multiplexer; and (3) loop feeder via a bona fide request process.

The parties shall submit proposed rates for these elements no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

34. What should the unbundled switch element include?

GTE states that the switch element should include the port and that AT&T requests access to switch functions and features that go beyond the notion of unbundling contemplated by the Act. GTE argues that unbundling the switch as AT&T requests has numerous feasibility problems, including limitations on switch capacity, the substantial cost of modifying existing switches and the possibility that AT&T would be able to avoid access charges.

AT&T requests all features and functionalities inherent to the switch or switch software, including, without limitation, Advanced Intelligent Network ("AIN") triggers, citing FCC Order ¶¶ 412-413 and FCC Reg. § 51.319(c).

The Commission finds that GTE should offer the switch element pursuant to the FCC's definition: "We define the local switching element to encompass line-side and trunk-side facilities plus the features, functions and capabilities of the switch. The line-side facilities include the connection between a loop termination at, for example, a main distribution frame (MDF), and a switch line card. Trunk-side facilities include the connection between, for example, trunk termination at a trunk-side cross-connect panel and a trunk card. The 'features, functions, and element combinations would be subject to a Bona Fide Request process: Switching Combination No. 2, Switching Combination No. 3, and Switched Data Services. AT&T cites to § 251(c)(3), FCC Order ¶¶ 292-294, 328-329, and FCC Regs. §§ 51.309, 51.315.

OPC's position is that an incumbent LEC should not be able to restrict the ability of a new entrant to fashion leased elements in a network to provide competing service. OPC argues that such restrictions would defeat the benefit of competition to create efficient neworks and reduce costs. The terms and conditions of the lease should not defeat the purpose of unbundling and should not pose a barrier to entry by creating unreasonable and artificial limitations on the use of elements.

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The parties shall submit proposed rates for these elements no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

35. Should GTE provide AT&T with access to its AIN, and if so, under what terms and conditions?

The parties have agreed on AT&T's access to GTE's AIN. **See** Attachment C (Stipulation Concerning Advanced Intelligent Network Issues).

36. Should GTE be required to exchange AIN transaction capabilities application part messages between GTE end offices and AT&T service control points via interconnection of AT&T's SS7 network to the GTE SS7 network?

To the extent that this issue is not resolved by Attachment C to this Arbitration Order (Stipulation Concerning Advanced Intelligent Network Issues) the Commission finds that AT&T should be allowed direct access to GTE's AIN triggers only where adequate mediation is in place.

37. Should GTE provide AT&T access to GTE's SS7 system, and if so, at what points and under what terms and conditions?

GTE has offered interconnection with its SS7 system at the signal transfer points (STP), but not at other points. GTE argues that access to the service control points (SCP) and associated databases is technically feasible at this time only through the STP pair associated with that SCP.

AT&T's position is that SS7 should be broken apart and provided as 1) signaling links, 2) STPs and 3) access to SCP databases. AT&T relies on the FCC Order ¶¶ 479, 484 and 486 which require signaling links and STPs to be unbundled and provide that access to SCP call related databases used in an ILEC's AIN should be provided. **See** also FCC Reg. § 51.319(e)(1)(iii).

OPC believes access to GTE's SS7 network should be offered on the same terms and conditions as other elements.

The FCC has defined what types of access to GTE's SS7 network should be made available and there is no reason why GTE should not be required to grant such access. GTE must provide "nondiscriminatory access to their signaling links and STPs on an unbundled basis." FCC Order ¶ 479. The Commission finds that it is technically feasible for GTE to provide access to the LIDB (Line Information Data Base), the toll-free calling database and number portability downstream databases and that GTE must provide that access. Direct access to call-related databases is not required; access to call-related databases must be provided through interconnection at the STP. FCC Order ¶ 485.

38. Is GTE required to provide unbundled signaling elements (STP, access to SCP databases, links, etc.) at cost-based rates? Is access to GTE's SCP database an unbundled network element as defined in the Act?

GTE argues that unbundling the SS7 (Signaling System 7) system itself into discrete parts is not currently technically feasible, and would jeopardize the integrity of the network. Further, there are no technical standards for doing so. Direct access to GTE's SCP is not technically feasible.

AT&T argues that FCC Order ¶¶ 479, 484 and 486 requires signaling links and STPs to be unbundled and provides that access to SCP call-related databases used in an ILEC's AIN should be provided, citing to FCC Order ¶ 480.

OPC believes access to these elements should be offered on the same terms and conditions as other elements.

The FCC has found that ILECs, upon request, must provide nondiscriminatory access to their signaling links and STPs on an unbundled basis and has found that such unbundling is technically feasible. FCC Order ¶¶ 479, 483. The Commission finds that GTE must provide access to its SS7 network as directed by the FCC, and at TELRIC rates.

The parties shall submit their proposed rates for these elements no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

39. Should AT&T have access to GTE's unused transmission media ("dark fiber")?

GTE's position is that dark fiber is not a facility or equipment used in the provision of a telecommunications services and GTE should not be required to provide access to it.

AT&T argues that unused transmission media should be made available. AT&T states that there is a presumption in favor of unbundling if it is technically feasible, citing FCC Order ¶ 281. In addition, further unbundling beyond that specifically mandated is to be decided by the state commissions. FCC Order ¶ 427.

OPC asserts that it is in the public interest for unused dark fiber to be made available to new entrants. OPC argues that making dark fiber available will facilitate the movement to competition and encourage efficient use of the existing network to benefit consumers and generate revenues for the incumbent from unused assets.

The Commission agrees with OPC that making dark fiber available to new entrants will promote efficiency and facilitate competition, benefiting service providers and end users. In addition, permitting access to an ILEC's dark fiber will encourage new entrants to develop facilities based services. Dark fiber satisfies the definition of a network element and its unbundling is technically feasible.

The Commission finds that some limitations on AT&T's use of GTE's dark fiber may be appropriate as a precautionary measure. GTE does place dark fiber to provide for growth, and inefficient use of that dark fiber by AT&T could cause premature depletion of the resource, requiring installation of additional fiber. The Commission finds, therefore, that GTE should offer dark fiber in the feeder segment of its loops as an unbundled element subject to the following conditions: GTE must offer its dark fiber to AT&T, but may offer it pursuant to agreements that would permit revocation of AT&T's right to use the dark fiber upon twelve months' notice by GTE. To exercise its right of revocation, GTE must demonstrate that the subject dark fiber is needed to meet GTE's bandwidth requirements, or the bandwidth requirement of another local service provider. GTE shall not be required to make available for lease more than 25 percent of its dark fiber capacity in a particular feeder segment. The fiber available for lease must be allocated among requesting CLECs on a first-come, first-served basis, and distributed in a competitively neutral manner. If GTE can demonstrate within a twelve month period after the date of a dark fiber lease that AT&T is using the leased dark fiber capacity at a level of

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The Commission agrees with OPC that making dark fiber available to new entrants will promote efficiency and facilitate competition, benefiting service providers and end users. In addition, permitting access to an ILEC's dark fiber will encourage new entrants to develop facilities based services. Dark fiber satisfies the definition of a network element and its unbundling is technically feasible.

The Commission finds that some limitations on AT&T's use of GTE's dark fiber may be appropriate as a precautionary measure. GTE does place dark fiber to provide for growth, and inefficient use of that dark fiber by AT&T could cause premature depletion of the resource, requiring installation of additional fiber. The Commission finds, therefore, that GTE should offer dark fiber in the feeder segment of its loops as an unbundled element subject to the following conditions: GTE must offer its dark fiber to AT&T, but may offer it pursuant to agreements that would permit revocation of AT&T's right to use the dark fiber upon twelve months' notice by GTE. To exercise its right of revocation, GTE must demonstrate that the subject dark fiber is needed to meet GTE's bandwidth requirements, or the bandwidth requirement of another local service provider. GTE shall not be required to make available for lease more than 25 percent of its dark fiber capacity in a particular feeder segment. The fiber available for lease must be allocated among requesting CLECs on a first-come, first-served basis, and distributed in a competitively neutral manner. If GTE can demonstrate within a twelve month period after the date of a dark fiber lease that AT&T is using the leased dark fiber capacity at a level of transmission less than optical carrier OC-12 (622.08 million bits per second), GTE may revoke the lease agreement with AT&T and provide AT&T a reasonable and sufficient alternative means of transporting the traffic.

GTE should offer dark fiber in the dedicated interoffice transport segment of the network as an unbundled element under the following conditions: GTE must offer its dark fiber to AT&T if it has collocation space in a GTE tandem or end office, but may offer it pursuant to agreements that would permit revocation of AT&T's right to use the dark fiber upon twelve months' notice by GTE. To exercise its right of revocation, GTE must demonstrate that the subject dark fiber is needed to meet GTE's bandwidth requirements, or the bandwidth requirement of another local service provider. GTE shall not be required to make available for lease more than 25 percent of its dark fiber capacity in a particular dedicated interoffice transport segment. The fiber available for lease must be allocated among requesting CLECs on a first-come, first-served basis, and distributed in a competitively neutral manner. If GTE can demonstrate within a twelve month period after the date of a dark fiber lease that AT&T is using the leased dark fiber capacity at a level of transmission less than optical carrier OC-12 (622.08 million bits per second), GTE may revoke the lease agreement with AT&T and provide AT&T a reasonable and sufficient alternative means of transporting the traffic.

The parties shall submit proposed rates for these elements no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based. The parties shall also submit for approval a procedure for exchanging information on the availability of dark fiber for lease, and on the usage of leased dark fiber.

40. Should GTE be required to provide both dedicated and common local transport to AT&T on an unbundled basis?

GTE states that it will treat dedicated transport as a single item and make it available out of the access tariff. Common transport is available out of the access tariff. GTE argues that AT&T treats transport elements as an item to unbundle whereas they actually are interconnection items to which AT&T may have access.

AT&T's position is that dedicated and common transport should be unbundled and provided at TELRIC prices. FCC Order ¶¶ 440, 443, 444.

OPC's position is that the Commission need not decide this issue because it involves access and not local exchange service.

The Commission finds that common and dedicated transport for local traffic should be treated as unbundled elements and the compensation rates should be cost-based. The FCC Order distinguishes between "transport and termination of local traffic" and "access," and concludes that transport and termination of local traffic are governed by §§ 251(b)(5) and 252(d)(2) of the Act. Section 251(b)(5) requires reciprocal compensation arrangements between the incumbent and other LSPs. Section 252(d)(2) requires that the reciprocal compensation arrangement allow both parties to recover the costs associated with transport and termination for calls that originate on another carrier's network. The appropriate reciprocal compensation rates are addressed in Issues 4 and 5.

41. Are operator systems (i.e., GTE-provided Operator Services and Directory Assistance) separate network elements that GTE should be required to unbundle?

The parties have resolved this issue. **See** Attachment C (Stipulation Concerning Operator Systems).

The parties shall submit proposed rates for these elements no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

42. What are the appropriate interconnection points for the transport and termination of traffic?

GTE offers the following types of network facility connection: (1) a mid-span fiber meet point within a GTE exchange area; (2) an end office; and (3) an access tandem.

AT&T's position is that it must be permitted to design its network architecture and specify the interconnection points and trunking arrangements, including the ability to interconnect at the GTE end offices and access tandems that AT&T deems most appropriate. This should include the ability to use two-way trunk groups and mix traffic on those trunk groups. If GTE denies a request for a particular method of obtaining interconnection, GTE should be required to prove to the state commission that the requested method is not technically feasible. AT&T cites § 251(c)(2) and FCC Reg. § 51.321.

The parties have reached agreement on interconnection points. **See** Attachment C (Stipulation Concerning Interconnection Points for the Transport and Termination of Traffic). To the extent the parties have not agreed, the Commission finds that GTE should provide interconnection at the following points: (1) the line-side of the local switch; (2) the trunk-side of the local switch; (3) the trunk interconnection points for a tandem switch; (4) central office cross-connect points; (5) out-of-band signaling transfer points; and (6) the points of access to unbundled elements.

The parties shall submit proposed rates for provisioning interconnection for transport and termination no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

43. Should GTE be required to provide tandem-to-tandem switching for the purpose of terminating AT&T local and intraLATA traffic?

GTE agrees to provide inter-tandem switching only when AT&T has entered into one of the existing intraLATA toll compensation mechanisms (e.g., ITAC), or when signaling and AMA record standards support the recognition of multiple-tandem switching events.

AT&T argues that it should be permitted to switch traffic tandem-to-tandem on GTE's network. AT&T states that tandem switching unbundling is technically feasible and required by the Order. FCC Order ¶ 425.

The Commission finds that inter-tandem switching is technically feasible and required by the FCC. In its Order at ¶ 425 the FCC found "that the availability of unbundled tandem switching will ensure that competitors can deploy their own interoffice facilities and connect them to ILEC's tandem switches where it is efficient to do so." The Commission's findings in issue 42 may result in GTE's being required to provide tandem-to-tandem switching.

The parties shall submit proposed rates for tandem-to-tandem switching no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

44. How should the cost of access to OSS be recovered?

GTE believes that AT&T should pay the cost of access to OSS, because AT&T is the cost-causer. GTE argues that all its costs must be covered pursuant to the Act and that it should not be compelled to pay for OSS access changes made to accommodate AT&T.

AT&T's position is that GTE is required to provide competing carriers with nondiscriminatory access to OSS functions under just, reasonable and nondiscriminatory terms. AT&T argues that the costs associated with OSS interfaces should be recovered on a competitively neutral basis, citing § 251(c)and FCC Order ¶¶ 516-517.

OPC agrees with AT&T that the costs for providing access to OSS should be recovered on a competitively neutral basis.

The Commission agrees with AT&T that these costs should be recovered on a competitively neutral basis. The parties shall submit proposed rates for recovery of OSS costs no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

45. Should GTE be required to provide AT&T access to OSS systems through electronic interfaces?

__See__ Issue 47, ***infra***.

46. On what basis should OSS electronic interfaces be implemented?

__See__ Issue 47, ***infra***.

47. Should AT&T have access to OSS processes through electronic interfaces for unbundled elements?

The parties have agreed that GTE will provide access via electronic interfaces and implementation will be in three phases. Phase I involves the intervention of GTE customer representatives in the ordering and provision process; Phase II involves two-way electronic interfaces; Phase III involves fully interactive electronic interfaces.

The Commission finds that GTE should provide OSS access via electronic interface using the schedule proposed by AT&T, and that costs should be recovered on a competitively neutral basis from all LSPs and GTE. GTE shall track the costs it incurs in implementing the electronic interface and prepare proposed rates for this service to be submitted to the Commission once the interface is operative. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based. GTE shall also provide cost data to AT&T and AT&T may submit proposed rates as well.

48. What methods of interim number portability should GTE be required to provide?

GTE's position is that it will provide interim number portability through remote call forwarding and direct inward dialing. GTE asserts that LERG Reassignment would accelerate number exhaustion and is not practical for that reason. GTE argues that the route indexing solutions proposed by AT&T are technically infeasible. GTE also argues that, since a permanent number portability solution is currently being sought, interim route indexing solutions could be obsolete before they have proven useful, resulting in a waste of resources.

AT&T argues that GTE should provide interim number portability through three distinct, technically feasible options: (i) remote call forwarding (RCF); (ii) LERG Reassignment; and (iii) route indexing (RI). AT&T argues that it needs all three options in order to meet the needs of its distinctive customer segments.

OPC believes this issue to be resolved.

Technical feasibility: GTE contends that DN-RI (Directory Number-Route Index) and RI-PH (Route Index-Portability Hub) are not technically feasible. AT&T's witness cited examples where DN-RI and RI-PH are currently operational: US West has DN-RI tariffed in Oregon, BellSouth will offer DN-RI and RI-PH in all the states where AT&T will operate as a CLEC, and GTE itself has tariffed DN-RI in Oregon. GTE has not offered evidence to demonstrate the technical infeasibility of the route index solutions. Both parties admit that DN-RI and RI-PH have some advantages over RCF and DID, particularly for business customers.

Premature Obsolescence: It is true that implementation of long term local number portability solutions must be completed by carriers during the 1st quarter of 1998 in the St. Louis metropolitan area, and during the 2nd quarter of 1998 in the Kansas City metropolitan area. **See *In the Matter of Telephone Number Portability***, Docket 95-116, Order adopted June 27, 1996. However, there is every reason to believe that implementation of a permanent NP solution will not be as rapid in the less urban areas that form a significant part of GTE's service area.

The Commission finds that the provision of multiple INP solutions is in the public interest and that the route indexing solutions proposed by AT&T are technically feasible. Therefore, the Commission finds that GTE should provide AT&T's requested route indexing solutions, in addition to RCF and DID. GTE shall also provide LERG reassignment at the NXX level.

49. When and in what circumstances should collocation be permitted?

GTE's position is that AT&T should be permitted to collocate at central offices, service wire centers and tandem switches. GTE objects to collocation at vaults or manholes, and at remote units unless a given unit offers routing or rating capability and has sufficient space. GTE believes that it may legitimately require the implementation of reasonable security measures to protect equipment and facilities of GTE and other collocators.

AT&T does not dispute GTE's right to implement reasonable security measures; however, GTE can not use such measures to unreasonably limit the use by AT&T of the collocated space, citing § 251(c)(6)and FCC Reg. § 51.323.

The Act requires incumbent LECs to provide collocation "on rates, terms, and conditions that are just, reasonable, and nondiscriminatory." § 251(c)(6). The Commission therefore finds that GTE should provide collocation at GTE's proposed central offices, serving wire centers and tandem switches; and at CEVs (controlled environmental vaults), huts and cabinets. GTE shall provide collocation as follows: physical collocation must be provided on a first-come, first-served basis, provided there is space available for collocation and reasonable security arrangements. If space is not available, GTE must provide virtual collocation. GTE and AT&T shall adhere to reasonable industry standard security measures, applied on a nondiscriminatory basis.

50. What types of telecommunications equipment may be collocated on GTE's premises?

GTE's position is that AT&T should be permitted to collocate only the equipment necessary for interconnection or access to unbundled network elements. This would include transmission equipment for termination, concentration equipment and multiplexing equipment. Switching equipment, enhanced services equipment and customer premises equipment should not be allowed. GTE argued that space, security and the need for additional power supply make collocation of switching equipment infeasible.

AT&T argues that GTE must permit the collocation of any type of equipment used for interconnection or access to unbundled network elements, citing to § 251(c), FCC Order ¶ 581, and FCC Reg. § 51.323(b). Specifically, AT&T wishes to collocate remote switching modules (RSMs).

GTE has not presented convincing evidence to support its position. Space limitation is not a debatable issue; the Act already provides that physical collocation is subject to space availability. § 251(c)(6). In many instances RSMs occupy less space than transmission and multiplexing equipment. In many GTE central offices there are large amounts of unused space where old electromechanical switches have been replaced with more modern equipment. As to power supply, AT&T has agreed to pay for any additional power supply their equipment requires and to pay for any modifications necessary to GTE's existing equipment.

The Commission finds that GTE shall provide collocation to AT&T for equipment used for interconnection or access to unbundled network elements. Equipment used for interconnection and access to unbundled network elements shall include, but is not limited to: (1) transmission equipment such as optical terminating equipment and multiplexers; and (2) equipment used to terminate basic transmission facilities pursuant to the FCC's expanded interconnection requirements. Where space permits, GTE shall allow AT&T to locate remote switching module equipment in dedicated space within GTE's central office premises, for the purpose of accessing unbundled network elements or for network interconnection.

51. Should GTE be required to provide interconnection between carriers at cost-based rates when those carriers are both collocated at a GTE premise?

GTE's position is that it will provide this connection through the purchase of a GTE unbundled network element.

AT&T argues that GTE must permit interconnection between collocating telecommunications carriers on its premises, citing FCC Reg. §51.323(h).

The Commission finds that GTE should permit interconnection between collocating telecommunications carriers on its premises. Where GTE provides the facilities for interconnection those facilities shall be priced at rates consistent with TELRIC costing principles. The parties shall submit proposed rates for these elements no later than December 31, 1996. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

52. What limits, if any, may GTE impose upon the use of the collocated space?

GTE believes AT&T should be permitted to collocate only equipment that is necessary for interconnection or access to unbundled network elements. This would include transmission equipment for termination, concentration equipment and multiplexing equipment. Switching equipment, enhanced services equipment and customer premises equipment should not be allowed.

AT&T believes that there should be no limitations on its use of collocated space, with the exception of reasonable security requirements, citing FCC Order ¶ 581 and FCC Reg. § 51.323(i).

See the Commission's findings on Issue 50. The only acceptable restrictions are those based on space availability and reasonable security requirements, applied on a competitively neutral, nondiscriminatory basis.

53. Does GTE have the right to reserve space for its own use or deny access for space reasons?

GTE's position is that ILECs have the right to reasonably reserve space for their own use. GTE believes a five-year planning horizon for reservation of space is just and reasonable.

AT&T argues that GTE's insistence on retaining space for itself, based on a five-year planning horizon, renders processes for ordering and provisioning collocated space meaningless, citing § 251(c)(6); FCC Order ¶ 604, and FCC Reg. § 51.323(a) and (f).

In its Order at 604 the FCC states that "ILECs may not, however, reserve space for future use on terms more favorable than those that apply to other telecommunications carriers seeking to hold collocation space for their own future use." GTE is required by the Act to provide collocation on just, reasonable and nondiscriminatory terms and conditions. It would be inappropriate to allow GTE to allocate future space on terms and conditions that are not at parity with other collocating telecommunications carriers. The Commission finds that GTE may not reserve space for itself for future use on terms and conditions more favorable than those it applies to other collocating carriers wishing to hold space for future use.

54. Should GTE be required to make additional capacity available to AT&T for collocation if GTE does not have current space available? If so, in what time frame should GTE make such capacity available?

GTE's position is that nothing in the Act requires it to purchase additional plant in order to respond to a collocation request. GTE states that it will determine the timing of adding capacity to its facilities based on its own growth needs. Once it has been determined that additional capacity is required, GTE will factor in collocation forecasts in planning how much capacity should be added.

AT&T's position is that GTE should not be excused from offering physical collocation unless there is no practical way of offering additional space by breaking into contiguous space, taking AT&T needs into account when planning renovations of existing space, leasing additional space, or relinquishing space held for "future use." **See** FCC Order ¶¶ 585, 605; FCC Reg. § 51.323(a) and (f).

The FCC Order, ¶ 585, states that "collocators seeking to expand their collocated space should be allowed to use contiguous space where available." The FCC Order also requires ILECs to take collocator demand into account when renovating existing facilities and constructing or leasing new facilities. GTE is not required by the Order to construct additional space when none is available. However, the Commission finds that GTE shall offer physical collocation whenever possible, including making contiguous space available to collocators where available. GTE shall also take collocator demand into account when renovating existing facilities and constructing or leasing new facilities. The Commission finds that GTE may not establish a discriminatory policy of reserving space for future use.

55. Should AT&T have access to GTE's poles, ducts, conduits and rights-of-way at parity with GTE?

GTE's position is that the requirement of nondiscriminatory access does not mean that GTE as an owner of poles and conduits must be relegated to the status of a mere licensee. Rather, nondiscriminatory access requires that an owner of poles or conduits treat equally all companies seeking access.

AT&T argues that GTE should be required to make conduits, ducts, pole attachments, and rights-of-way available to AT&T on a basis at least equal to which GTE provides itself. AT&T states that the FCC has adopted AT&T's interpretation of "nondiscriminatory" access and cites to § 224(f) and FCC Order ¶ 1157.

The Commission finds that the Act and the Order clearly require a utility to provide access that does not favor itself over the new entrant. Nondiscriminatory access means more than requiring the ILEC to treat all new entrants equally, as is made clear by § 224(g) which requires a utility to impute to itself a pole attachment rate equal to what it would charge a nonaffiliated entity.

56. Does the term "rights-of-way" in Act section 224 include all possible pathways for communicating with the end user?

AT&T and GTE have agreed that, to the extent that GTE owns or controls any path to the customer, GTE will provide access to that path to AT&T.

The Commission finds that GTE shall provide nondiscriminatory access to poles, ducts and conduit systems as they have agreed. GTE shall provide nondiscriminatory access to rights-of-way containing controlled environmental vaults, huts, cabinets and similar structures. GTE may not restrict AT&T's ability to construct, maintain and monitor its facilities at these sites to any greater extent than GTE restricts its own ability to construct, maintain, and monitor the same facilities.

57. May GTE reserve space for its future use on/in its poles, ducts, conduits and rights-of-way?

GTE claims that it has special service obligations as the provider of last resort to be able to serve new customers readily; therefore, it must always have reserve capacity. GTE also argues that precluding GTE from reserving space for its own future needs is inconsistent with § 224(f)(1), which applies the nondiscrimination requirement only to those for whom access must be "provided," not to the owner, whose "access" is synonymous with its ownership right. GTE believes that the lack of ability to reserve space, coupled with the existing access rate requirements, effect a "taking" of GTE's property in violation of the Fifth Amendment of the U.S. Constitution.

AT&T does not dispute GTE's ownership rights and is willing to pay a fair rent for the occupation of these structures, but argues that GTE must make conduits, ducts, pole attachments and rights-of-way available to AT&T on a basis that is at least equal to that which GTE provides for itself, citing FCC Order ¶ 1157. AT&T argues that GTE discriminates when it reserves capacity for its own use to the exclusion of others. **See**, § 224(f)(1); FCC Order ¶¶ 1123, 1170.

The Commission agrees with AT&T's interpretation on this issue. The Act and the Order clearly prevent a utility from using its status as owner of facilities to impede competition. The FCC Order, at ¶ 1170, states that allowing a pole or conduit owner to favor itself or its affiliate would nullify the nondiscrimination that Congress required. The Commission finds that GTE should not be allowed to reserve capacity for its own use. Discrimination with regard to access to ILEC poles, ducts, conduits and rights-of-way is prohibited.

58. Should GTE be required to make additional capacity available to AT&T for poles, ducts, conduits and ROWS (rights-of-way) if GTE does not have spare capacity? If so, should GTE provide additional capacity within a reasonable time frame?

GTE's response to this issue is the same as its response to Issue 54 regarding the provision of additional collocation capacity. GTE believes it should not have an obligation to expand capacity for AT&T.

AT&T's position is that the Act and the Order require GTE to expand capacity when none is available, citing to § 224(f)(1) and FCC Order ¶¶ 1157, 1161-1164 and 1170.

The Commission finds that GTE must take all reasonable steps to accommodate requests for access where such access would require expansion of capacity.

59. What should the term of the agreement be?

GTE proposes that the Agreement extend for two years at most. GTE believes a two-year term is appropriate because the parties can negotiate new or different terms and conditions based on experience in the new competitive market. GTE also argues that shorter-term agreements are procompetitive, especially in a rapidly changing market.

AT&T proposes that the interconnection agreement be binding for five years with a provision for prices to be reopened after three years. AT&T argues that it is unreasonable to expect a renegotiation after only two years and that the Bona Fide Request, New Services process, and ADR process included in its proposed agreement provide sufficient flexibility for changed conditions over a five-year term on non-price matters.

The Commission finds that, given the dynamic nature of the telecommunications industry, the appeal of the FCC Order, and pending access and universal service reform proceedings, a five-year term for this agreement may be too long. Therefore, the Commission determines that an appropriate term for the agreement is two years. The agreement should include a provision for automatic renewal for an additional two-year term, unless one party gives 90 days written notice of a wish to terminate. The parties should submit an agreement for approval which contains such a provision.

60. Should the agreement be implemented without impairing GTE's right to file tariffs in the normal course of business?

The parties are in agreement that GTE's right to file tariffs in the normal course of business should not be impaired as a result of this agreement. There is no dispute for Commission resolution.

61. Should the agreement provide for an accelerated dispute resolution procedure in cases of "service affecting" disputes?

Both parties' proposed agreements include measures for accelerated dispute resolution. GTE's agreement provides for negotiation between the parties to resolve disputes, allows for mediation, and refers unresolved disputes to binding arbitration for resolution. AT&T's agreement provides a dispute resolution process, including arbitration, while permitting a party to seek a Commission or FCC determination in appropriate circumstances. In addition, AT&T has proposed expedited procedures for "service-affecting" disputes.

OPC believes the interconnection agreement should include a dispute resolution mechanism in order to avoid interference with customer service and assure a high quality of services. OPC argues that disputes over problems could deprive customers of service, or quality of service, cause competition to fail and violate the public interest.

The Commission finds that it is in the public interest for disputes that directly affect a customer's service to be resolved on an expedited basis. The parties shall submit an agreement that includes an expedited dispute resolution process for problems that affect customer service. The agreement shall also contain an alternative dispute resolution process for solving controversies that arise around the other terms and conditions, or interpretations of terms and conditions, of the interconnection agreement.

62. Should the agreement provide for a "Most Favored Nations" clause?

GTE does not favor such a clause. GTE argues that each agreement negotiated is a process of give and take. A party desiring to obtain the terms of another agreement must abide by the entire agreement. Otherwise, the Act's provisions encouraging negotiations would be meaningless.

AT&T's position is that GTE is required to make available to AT&T, without unreasonable delay, any more favorable terms for individual services, network elements, and interconnection which GTE offers to others. FCC Reg. § 51.809; FCC Order ¶¶ 1310, 1316; Act 251(i).

The Commission finds that there is no need to rule on this issue because of the 8th Circuit Court of Appeals' stay of the "pick and choose" provision of the FCC Order. (The "pick and choose" rule provision refers to Appendix B-Final Rules §§ 51.809 of the FCC Order.)

63. Should the agreement provide for a Bona Fide Request Process?

The parties have agreed to include a bona fide request process. **See** Attachment C (Stipulation Concerning Sub-loop Unbundling (Loop Concentrator/Multiplexer); Stipulation Concerning Sub-loop Unbundling (Loop Feeder). The parties shall submit an agreement for approval that includes the specifics for processing a bona fide request.

64. Should GTE be required to accept financial responsibility for uncollectible and/or unbillable revenues resulting from GTE work errors, software alterations, or unauthorized attachments to local loop facilities?

GTE's position is that when GTE makes its network or services available to CLECs, it will apply the same standards of care that it applies to itself for the provision of services to its own retail customers. GTE should not be required to insure collection of all revenues lost as a result of alleged failures in the GTE network or systems. The rates and cost studies presented by GTE do not include the cost of insuring against AT&T's risk of doing business.

AT&T argues that GTE should be required to accept responsibility for its actions or lack of action by accepting financial responsibility for uncollectible or unbillable revenues caused by GTE work errors, accidental or malicious alterations of software, or unauthorized attachments to local loop facilities.

The Commission finds that reciprocal responsibility between AT&T and GTE is appropriate and is in the public interest. For this purpose the Commission approves the provisions of AT&T's revised proposed Interconnection Agreement, I(5) Liability and Indemnity.

65. To the extent not otherwise specifically resolved herein, what terms and conditions should be included in the agreement adopted in this arbitration proceeding?

This "issue" is too vague to present a question for Commission determination.

66. Should the agreement impose material and reciprocal obligations upon both parties with respect to matters other than reciprocal compensation arrangements for transport and termination?

GTE believes that unspecified "reciprocal arrangements" will promote competition. AT&T argues that GTE's request to impose reciprocal obligations on AT&T is inappropriate and outside the scope of this arbitration because the obligations at issue are those of an Incumbent LEC under Section 251 of the Act. § 251(c), FCC Order ¶¶ 10, 15, 155, 220, 997, 1231.

The parties have not articulated a comprehensible issue here. If it is GTE's position that the duties imposed upon GTE by the Act should also be imposed upon AT&T, then GTE would be required to produce evidence demonstrating the reasons for such an imposition. The parties could, by agreement, expand upon the obligations each would undertake in addition to those specifically ordered in the Act. However, the Act specifies duties for incumbent LECs and specifies different duties for competitive LECs. The Commission is not inclined to rewrite the language of this federal legislation by imposing involuntary duties in a manner not contemplated by the Act.

67. Should GTE be required to provide billing and usage recording services for resold services, interconnection and unbundled elements, and if so, what terms and conditions apply to such services?

AT&T and GTE are agreed that GTE should provide billing and usage recording services for resold services, interconnection and unbundled elements. The parties should be able to present to the Commission mutually agreed-upon processes satisfactory to both companies when they file an agreement in compliance with this arbitration order.

68. If GTE is required to provide the services identified in Issue 67, how should the costs of providing these services be recovered, and from whom?

GTE has argued that AT&T is the cost-causer and therefore should pay all the costs associated with providing billing and usage recording functions. AT&T's position is that GTE should recover its costs in a competitively neutral manner. Citing to § 251(c)(3) and (4) and FCC Order

¶¶ 516-517, AT&T argues that GTE may not impose the entire cost of providing these services on AT&T alone.

The costs of providing billing and usage recording functions and other Operations Support Services should be recovered in a competitively neutral, nondiscriminatory manner from all competitive LSPs and GTE. GTE's proposal to require AT&T to bear the full cost of developing these services violates § 251(c)(2)(D) which requires that unbundled elements be provided on "rates, terms, and conditions, that are just, reasonable, and nondiscriminatory."

GTE shall track its costs and the parties shall submit proposed rates for these functions once a billing and usage recording system is operative. The proposal must include the underlying assumptions, rationale, and supporting workpapers and any other documentation on which the proposal is based.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The parties to this case are public utilities subject to the jurisdiction of the Missouri Public Service Commission under Chapters 386 and 392 Revised Statutes of Missouri, 1994.

The Commission has jurisdiction to resolve this case by means of arbitration under § 252 of the Federal Telecommunications Act of 1996. The Commission must conclude the resolution of the issues no later than nine months after the date on which the local exchange carrier received the request for interconnection, in this case no later than December 12, 1996. § 252(b)(4)(C). The Commission must ensure that the arbitrated agreement meets the requirements of § 251 of the Act, meets the pricing standards of

§ 252(d) and establishes an implementation schedule for the terms and conditions as required by § 252(c).

Based upon its findings of facts, the Commission determines that the proposed interconnection agreements submitted by the parties should be rejected and the parties should be ordered to submit to the Commission for approval a completed agreement in compliance with the findings contained in this Arbitration Order and the attached rate schedules.

IT IS THEREFORE ORDERED:

1. That Exhibits 56, 57, 58, and 59 are received into evidence.

2. That the stipulations included in Attachment C to this order are approved.

3. That the proposed interconnection agreements submitted in this case by AT&T Communications of the Southwest, Inc. and by GTE Midwest Incorporated are rejected.

4. That the rate schedules attached to this Arbitration Order as Attachments A and B shall be the approved rates for all the elements and services listed therein.

5. That the parties shall prepare and submit to the Commission for approval an interconnection agreement reflecting the Commission's findings embodied in this Arbitration Order and the rates embodied in Attachments A and B.

6. That the agreement described in Ordered Paragraph 5 shall be submitted to the Commission no later than thirty (30) days after the effective date of this Arbitration Order.

7. That the parties shall submit to this Commission their proposed rates as described in Issues 7, 33, 34, 38, 39, 41, 42, 43, 44 and 51 no later than December 31, 1996.

8. That the parties shall comply with the Commission's finding on each and every issue.

9. That this Arbitration Order shall become effective on the date hereof.

BY THE COMMISSION

Cecil I. Wright

Cecil I. Wright
Executive Secretary

(S E A L)

Zobrist, Chm., Kincheloe and
Drainer, CC., concur.
McClure, C., concurs, with
concurring opinion to follow.
Crumpton, C., concurs, with
concurring opinion to follow.

Dated at Jefferson City, Missouri,
on this 10th day of December, 1996.

GLOSSARY

Act	-	The Telecommunications Act of 1996
ADR	-	alternative dispute resolution
AIN	-	advanced intelligent network
AT&T	-	AT&T Communications of the Southwest, Inc.
CATV	-	cable television
CEV	-	controlled environmental vault
CLEC	-	competitive local exchange company
COCOT	-	customer owned coin operated telephone
DA	-	directory assistance
DID	-	Direct Inward Dialing
DN-RI	-	directory number-route index
FCC	-	Federal Communications Commission
GTE	-	GTE Midwest Incorporated
ICB	-	individual case basis
ILEC	-	incumbent local exchange company
INP	-	interim number portability
IXC	-	interexchange carrier
LERG	-	Local Exchange Routing Guide
LIDB	-	Line Information Data Base
LSP	-	local service provider
MDF	-	main distribution frame
NID	-	network interface device
NP	-	number portability
NRC	-	nonrecurring charges
OC	-	optical carrier
OPC	-	Office of the Public Counsel

OS	-	operator services
OSS	-	operations support system
PIC	-	primary interexchange carrier
RCF	-	remote call forwarding
RI	-	route indexing
RI-PH	-	route indexing-portability hub
ROWS	-	rights-of-way
RSM	-	remote switching module
SAG	-	street address guide
SCP	-	service control points
SS7	-	Signaling System 7
STP	-	signal transfer point
TELRIC	-	total element long-run incremental cost

Resale Cost Study for GTE

	Costs:	Total Missouri Regulated	% Avoided	GTE Avoided
	Direct:	($000)		
6611	Product Management	1709.21	90%	1538.29
6612	Sales	4196.87	90%	3777.18
6613	Product Advertising	1501.33	90%	1351.19
6621	Call Completion services	4097.93	100%	4097.93
6622	Number Services	3190.47	100%	3190.47
6623	Customer Services	14390.65	90%	12951.58
	Indirect:			
5301	Uncollectible Revenue	6370.01	14.36%	915.03
6112	Motor Vehicle Exp	605.42	0.00%	0.00
6113	Aircraft Exp	283.80	0.00%	0.00
6114	Spec Purpose Vehicle	0.01	0.00%	0.00
6115	Garage Work Equipment	44.39	0.00%	0.00
6116	Other Work Equipment	113.43	0.00%	0.00
6121	Land & Buld Exp	4239.76	14.36%	609.03
6122	Furniture & Artwork	660.27	14.36%	94.85
6123	Office Exp	841.80	14.36%	120.92
6124	Gen Purpose Computers	13686.92	14.36%	1966.08
6211	Analog Electronic Exp	308.63	0.00%	0.00
6212	Digital Electronic Exp	10392.15	0.00%	0.00
6215	Electro-mech Exp.	1673.48	0.00%	0.00
6220	Operators Exp	1824.03	0.00%	0.00
6231	Radio System Exp.	40.19	0.00%	0.00
6232	Circuit System Exp.	1141.49	0.00%	0.00
6311	Station Apparatus Exp.	0.00	0.00%	0.00
6341	Lg PBX /Exp.	0.00	0.00%	0.00
6351	Public Tel Term Eq Exp.	454.36	0.00%	0.00
6362	Other Terminal Eq Exp.	462.46	0.00%	0.00
6411	Poles Exp	1189.31	0.00%	0.00
6421	Aerial Cable Exp.	4745.61	0.00%	0.00
6422	Underground Cable Exp.	6518.79	0.00%	0.00
6423	Buried Cable Exp.	9908.41	0.00%	0.00
6424	Submarine Cable Exp.	0.00	0.00%	0.00
6425	Deep Sea Cable Exp.	0.00	0.00%	0.00
6426	Intrabuilding Network Cable Exp.	0.00	0.00%	0.00
6431	Aerial Wire Exp.	62.02	0.00%	0.00
6441	Conduit Systems Exp.	6.52	0.00%	0.00
6511	Telecomm Use Exp.	0.00	0.00%	0.00
6512	Provisioning Exp.	526.32	0.00%	0.00
6531	Power Exp.	1495.69	0.00%	0.00
6532	Network Admin Exp.	4406.40	0.00%	0.00
6533	Testing Exp.	2706.39	0.00%	0.00
6534	Plant Operations Admin	4548.39	0.00%	0.00
6535	Engineering Exp.	2180.96	0.00%	0.00
6540	Access Exp.	11837.98	0.00%	0.00
6561	Depreciation Telecom plant in Service	60901.77	0.00%	0.00
6562	Depreciation Future Telecom Use Plant	0.00	0.00%	0.00
6563	Amortization Exp - Tangible	187.54	0.00%	0.00
6564	Amortization Exp - Intangible	0.00	0.00%	0.00
6565	Amortization Exp - Other	0.00	0.00%	0.00
6711	Executive	738.52	14.36%	106.09
6712	Planning	732.94	14.36%	105.28
6721	Accounting & Finance	3383.52	14.36%	486.03
6722	External Relations	2279.80	14.36%	327.49
6723	Human Resources	3111.84	14.36%	447.01
6724	Information Management	17438.73	14.36%	2505.02
6725	Legal	520.75	14.36%	74.80
6726	Procurement	541.72	14.36%	77.82
6727	Research and Development	1027.52	14.36%	147.60
6728	Other Gen & Admin	3171.20	14.36%	455.53
	Total	216397.72		35345.23

Revenues:	Missouri:		Included:
Local Service	73588.14	100%	73588.14
Toll Network Service	57675.16	100%	57675.16
Network Access Service	74906.43	100%	74906.43
Miscellaneous	11847.63	100%	11847.63
Total	218017.36		218017.36

Resale Percentage Discount on Revenue (Full Profit Retained):

% of Resold Services Revenue (Local & Toll Network Service)		26.93%
	If bad debt fully excluded	31.08%

Attachment A

Summary of PSC Modified Monthly Recurring Costs
For GTE of the Midwest Inc.

	Geographic Zone 1	Geographic Zone 2	Geographic Zone 3	Geographic Zone 4	Weighted Avg. Rate
Unbundled Loops					
2-Wire 8dB Loop	$14.71	$16.41	$27.12	$36.31	$22.12
4-Wire 8dB Loop	$21.69	$24.20	$40.00	$53.55	$32.62
ISDN-BRI	$28.12	$31.37	$51.84	$69.41	$42.28
Cross Connects					
2-Wire		$0.31			
4-Wire		$0.62			
DS-1		$3.95			
Local Switching					
Per Originating or Terminating MOU		$0.002591			
Port Charges per Month					
Analog Port		$1.86			
DS-1 Port		$67.72			
Tandem Switching					
Per MOU		$0.001440			
Interoffice Transport					
Shared Transport					
Common Transport		Interstate Direct Trunked Transport Rates			
Direct Trunked Transport					
DS-0 Equivelant		$3.73			
Voice Facility per ALM		Interstate Dedicated Switched Tranport			
DS1 Facility		Interstate Dedicated Switched Tranport			
DS1 Per Termination		Interstate Dedicated Switched Tranport			
DS3 Per Termination		Interstate Dedicated Switched Tranport			
Database and Signalling Systems					
Signalling Links and STP					
56 Kbps Links		Corresponding Interstate Rate			
DS-1 Link		$22.44 per month			
Signal Tansfer Point (STP)					
Port Termination		Corresponding Interstate Rate			
Signal Transfer Point per Message		$.00064 per signalling message			
Signal Control Point per Message		$.00108 per signalling message			
Call Related Databases					
Line Information Database					
ABS queries		$0.00108 per signalling message			
Transport (ABS queries)		$0.00108 per signalling message			
Toll Free Calling Databases					
DB800 Queries		$0.00108 per signalling message			
Dark Fiber					
Buried Fiber, per fiber, per foot		need cost study			
Underground Fiber, per fiber, per foot		need cost study			
Operator Services					
All service types - per line, per month		$0.289			

Summary of PSC Modified Non-Recurring Costs
For GTE of the Midwest Inc.

Unbundled Element	Non-Recurring Charge
Local Loop	$29.18
Switch Port	$15.77

Attachment B

10:20 AM, 12/09/96

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STATE OF MISSOURI
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STIPULATION CONCERNING LOOP TESTING

FIRST REVISED ISSUES MEMORANDUM **ISSUE(S): 25**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: With respect to certain issues related to loop testing raised in this proceeding, it is hereby agreed that:

> When an unbundled loop, purchased by AT&T from GTE, requires conditioning (upgrading) due to a customer's request to provide ISDN or service other than voice grade service, GTE will test the loop after conditioning and will provide the results of those tests to AT&T. When AT&T provides its own switching, it will test unbundled loops. If there is a maintenance problem on an unbundled loop, AT&T will report the problem to GTE and GTE will be responsible for the repair of the loop. To the extent that GTE tests the loop and records the test results, GTE will proactively provide the test results to AT&T.
>
> GTE agrees that in any circumstance where GTE would perform loop testing procedures and would record the results of those loop tests on a loop provided to AT&T by GTE as part of a resale service, GTE will proactively provide the results of this testing procedure to AT&T.

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STATE OF MISSOURI
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STIPULATION CONCERNING THE PROVISION OF INTERCEPT OR REFERRAL INFORMATION

FIRST REVISED ISSUES MEMORANDUM

ISSUE(S): 48 (in part)

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: GTE and AT&T hereby agree that, with respect to GTE's provision of intercept or referral information when a customer changes from GTE service to that of AT&T and undergoes a telephone number change, GTE will provide a recorded announcement to (i) notify a calling party that the end user customer has transferred to a new telephone number of AT&T and (ii) provide such calling party with details concerning the new telephone number to be dialed to reach the customer. GTE will provide such announcement for the same length of time that GTE provides intercept or referral information for its customers that have changed telephone numbers.

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STIPULATION CONCERNING INTERCONNECTION POINTS FOR THE TRANSPORT AND TERMINATION OF TRAFFIC

FIRST REVISED ISSUES MEMORANDUM **ISSUE(S): 42**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: GTE and AT&T agree that AT&T will designate, at its option, a minimum of one interconnection point (IP) within a LATA. If AT&T desires a single interconnection point within a LATA, AT&T shall ensure that GTE maintains the ability to bill for the services provided. AT&T may interconnect at one tandem in the LATA for exchange of local, mandatory EAS and IntraLATA toll traffic by bringing separate trunk groups to that IP for each tandem in that LATA and then by using dedicated special access transport to extend the trunk group from the IP to the designated tandem.

AT&T will be responsible for engineering and maintaining its network on its side of the IP. GTE will be responsible for engineering and maintaining its network on its side of the IP. If and when the parties choose to interconnect at a mid-span meet, AT&T and GTE will jointly provision the fiber optic facilities that connect the two networks and will share the financial and other responsibilities for that facility.

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STATE OF MISSOURI
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STIPULATION CONCERNING DIALING PARITY

FIRST REVISED ISSUES MEMORANDUM — **ISSUE(S): 26**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: With respect to the provision of dialing parity, the parties agree as follows:

> The Commission has opened a rulemaking in Project No. 16133 to address intraLATA 1+ dialing access. GTE will abide with the provisions and schedule that the Commission orders as a result of that rulemaking.

The parties agree that this does not resolve the issue of whether a local service provider (LSP) that is using its own switch in conjunction with unbundled network elements of GTE to provide local exchange service is authorized to provide "0+/1+" intraLATA toll service to its end user customers.

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STIPULATION CONCERNING 911 SERVICE

FIRST REVISED ISSUES MEMORANDUM — **ISSUE(S):**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: With respect to certain issues related to 911 service raised in this proceeding, it is hereby agreed that:

> AT&T shall have the right to utilize existing GTE 911 infrastructure for all 911 capabilities. GTE shall cooperate with AT&T to ensure that 911 service is fully available to ported end users consistent with state provisions. AT&T shall have the right to verify the accuracy of the information regarding AT&T customers in the ALI database.

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STIPULATION CONCERNING PACKET DATA SWITCHING SERVICE

FIRST REVISED ISSUES MEMORANDUM

ISSUE(S):

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: With respect to certain issues related to the provision of unbundled access at the user network interface (UNI) data networking level and at the network-to-network interface (NNI) data networking level, it is hereby agreed that:

> AT&T will remove this issue (including issues related to asynchronous transfer mode, frame relay service, and other packet switched data services) from this arbitration. However, the parties agree that non-packet switched data (*i.e.*, home modem or ISDN lines) is to be provided as part of an unbundled network element.

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STIPULATION CONCERNING REPAIR CALLS

FIRST REVISED ISSUES MEMORANDUM — ISSUE(S):

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: With respect to repair calls, it is hereby agreed:

In the event an AT&T customer calls GTE with a request for repairs, GTE will provide the customer with AT&T's repair 800-telephone number. AT&T agrees to provide GTE with its repair 800-telephone numbers.

In the event a GTE customer calls AT&T with a request for repairs, AT&T will provide the customer with GTE's repair 800-telephone number. GTE agrees to provide AT&T with GTE's repair 800-telephone number.

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STIPULATION CONCERNING NETWORK INTERFACE DEVICE

FIRST REVISED ISSUES MEMORANDUM **ISSUE(S):**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: With respect to certain issues related to the provision of unbundled network interface devices (NID), it is hereby agreed that:

> The NID will be made available to AT&T as a separate unbundled network element to which AT&T will connect its own loop. GTE will not require that a separate NID be installed by AT&T to make a NID to NID connection as required in the FCC First Report and Order. AT&T will assume responsibility for ensuring that the proper over voltage protection is maintained to protect the customer premise.

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STIPULATION CONCERNING SUB-LOOP UNBUNDLING (LOOP FEEDER)

FIRST REVISED ISSUES MEMORANDUM **ISSUE(S): 33**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: Upon a bona fide request, GTE will provide unbundled loop feeder. Such unbundled loops will begin at the main distribution frame of the serving wire center and end at the associated Feeder Distribution Interface (FDI). AT&T agrees to the following conditions:

1. If implementation supports shared use of required unbundling facilities then the cost of such facilities shall be allocated among the users. If implementation supports only AT&T use of the facilities then AT&T shall pay the cost.

2. AT&T will agree to pay GTE an agreed upon charge to perform any necessary cross connections within the FDI and at the main distribution frame.

3. Because GTE will be performing all necessary cross connections within the FDI and at the main distribution frame, AT&T agrees that there will be no requirement for personnel of AT&T to access the FDI or the serving wire center.

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STIPULATION CONCERNING BRANDING ISSUES

FIRST REVISED ISSUES MEMORANDUM | **ISSUE(S):**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: With respect to certain issues related to branding, it is hereby agreed:

1. When a GTE technical representative goes to a customer premise on behalf of AT&T, in the event the representative has contact with the customer, the representative will indicate to the customer that he or she works for GTE but is at the customer premises on behalf of AT&T regarding AT&T service. If the customer is not at the premise at the time that the GTE technical representative is at the premise, GTE agrees to deliver generic material or documents to the customer, and the technical representative will write the LSP's name on the document or material left for the customer.

2. GTE personnel acting on behalf of AT&T will not discuss, provide, or leave information or material relative to GTE's services and products.

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STIPULATION CONCERNING SUB-LOOP UNBUNDLING (LOOP DISTRIBUTION ELEMENT)

FIRST REVISED ISSUES MEMORANDUM — **ISSUE(S): 33**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: Upon a bona fide request, GTE will provide unbundled loop distribution. Such element will begin at the Network Interface Device (NID) and end at the Feeder Distribution Interface (FDI) normally associated with that NID. The requesting carrier agrees to the following conditions:

1. If implementation supports shared use of required unbundling facilities then the cost of such facilities shall be allocated among the users. If implementation supports just AT&T's use of the facilities then AT&T shall pay the cost.

2. AT&T will agree to pay GTE an agreed upon charge to perform any necessary cross connections within the FDI.

3. Because GTE will be performing all necessary cross connections within the FDI, AT&T agrees that there will be no requirement for personnel of AT&T to access the FDI.

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STATE OF MISSOURI
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STIPULATION CONCERNING OPERATOR SYSTEMS

FIRST REVISED ISSUES MEMORANDUM | **ISSUE(S):**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: The parties agree that GTE will make operator systems (*i.e.*. GTE-provided operator services and directory assistance) available as unbundled network elements.

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STIPULATION CONCERNING DIRECTORY ISSUES

FIRST REVISED ISSUES MEMORANDUM

ISSUE(S): 22 and 29

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: With respect to certain directory-related issues raised in this proceeding, it is hereby agreed that:

(1) GTE will list in the Information Pages of its directories, at no charge, AT&T critical customer contact information for business and residential customers regarding emergency services, billing, sales and service information, repair services, and AT&T's logo. GTE will also offer AT&T the opportunity to purchase up to four (4) additional customer call guide page(s) to discuss its products and services. AT&T agrees to pay a price for the additional page(s) to be determined by GTE Directories, provided that such price shall be non-discriminatory to GTE and AT&T.

(2) GTE will provide secondary distribution of directories (*e.g.*, a new customer, requests for additional copies) to end user customers of AT&T at the same price that GTE is charged by GTE Directories for secondary distribution and under the same delivery timetable as GTE provides secondary distribution of such directories to its own end user customers. AT&T agrees to pay GTE Directories for secondary distribution based on GTE's agreement that the secondary distribution cost will be excluded from GTE's cost studies and resulting avoided cost discounts and prices for unbundled elements.

(3) GTE will provide initial distribution of white and yellow pages directories to all end user customers of AT&T at no charge within the same directory service area in which and under the same delivery timetable as GTE provides such directories to its own end user customers.

(4) GTE will include at no charge a basic listing for each AT&T customer in the white pages of

the telephone directory for that customer's specific geographic area. Listing data shall include the same type of listings available to GTE customers under the same rates, terms and conditions. Government listings will be listed in the same manner as GTE customer government listings.

(5) GTE shall employ AT&T listing information for the production of GTE-published white and yellow page directories. GTE's use for other purposes will require separate agreements. GTE will not sell or license, nor allow any third party, the use of AT&T subscriber listings and GTE will not disclose non-listed name or address information for any purpose without the prior written consent of AT&T, which shall not be unreasonably withheld. GTE will charge AT&T a reasonable service bureau extraction fee for all third party translations and AT&T will be free to establish its own fees for direct billing to third parties.

(6) GTE will provide AT&T end users with the same yellow pages services on the same terms and conditions as those provided to GTE end users. GTE will provide an AT&T end user within the geographical area covered by the yellow pages directory a basic listing in the yellow pages directory at no charge under the classified heading that most accurately reflects the primary nature of the customer's business. GTE will supply AT&T with a list of classified headings. AT&T will supply the appropriate heading for its end users.

(7) AT&T agrees to provide GTE with subscriber mailing information to enable GTE to perform its directory distribution responsibilities.

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STIPULATION CONCERNING ADVANCE NOTICE OF NETWORK AND TECHNOLOGY CHANGES, PRICE CHANGES AND INTRODUCTION OF MODIFICATION OF SERVICES

FIRST REVISED ISSUES MEMORANDUM

ISSUE(S): 12

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: With respect to certain issues related to advance notice of network and technology changes, price changes and introduction or modification of services raised in this proceeding, it is hereby agreed that:

(1) Network and Technology Changes - GTE will establish quarterly reviews of network and technologies plans and notify AT&T at least six months in advance of changes that would impact AT&T's provision of service(s).

(2) Price Changes - GTE will notify AT&T at the same time as GTE begins internal implementation efforts or obtains internal approval to make a change in retail or related resale rates (at least at the time the Product Management Committee is notified of the proposed change), whichever is sooner.

(3) Introduction of New Service, Modification to Services, or Discontinuation of Services - GTE will notify AT&T of proposed new retail services or modifications to, or discontinuances of, existing retail services forty-five days prior to the expected date of regulatory approval of the new or modified service, or discontinuation of a service. In the event that services are introduced or discontinued with less than 45 days' notice to the regulatory authority, GTE will notify AT&T at the same time it determines to introduce the new or modified service or discontinue the service.

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STIPULATION CONCERNING ADVANCED INTELLIGENT NETWORK ISSUES

FIRST REVISED ISSUES MEMORANDUM — ISSUE(S):

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: The Advanced Intelligent Network (AIN) is a Network Architecture that uses distributed intelligence in centralized databases to control call processing and manage network information, rather than performing those functions at every switch. AT&T and GTE hereby agree as follows:

(1) GTE will provide AT&T access to the GTE Service Creation Environment (SCE) to design, create, test, deploy and provision AIN-based features, equivalent to the access GTE provides to itself, providing that security arrangements can be made. AT&T requests to use the GTE SCE will be subject to request, review and testing procedures to be agreed upon by the parties.

(2) When AT&T utilizes GTE's Local Switching network element and requests GTE to provision such network element with a technically feasible AIN trigger, GTE will provide access to the appropriate AIN Call Related Database for the purpose of invoking either a GTE AIN feature or an AT&T developed AIN feature as per Item 1 above.

(3) When AT&T utilizes its own local switch, GTE will provide access to the appropriate AIN Call Related Database for the purpose of invoking either a GTE AIN feature or an AT&T developed AIN feature as per Item 1 above.

(4) Any mediation to GTE's AIN database must be performed on a competitively neutral, nondiscriminatory basis. Thus, any network management controls found necessary to protect the SCP from an overload condition must be applied on a

nondiscriminatory basis for all users of that database, including GTE. Therefore, GTE and AT&T agree that any load mediation will affect all links to the STP, including GTE's, in a like manner. AT&T will provide the information necessary to ensure that GTE is able to engineer sufficient capacity on the AIN SCP platform.

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STIPULATION CONCERNING SUB-LOOP UNBUNDLING (LOOP CONCENTRATOR/MULTIPLEXER)

FIRST REVISED ISSUES MEMORANDUM — **ISSUE(S): 33**

STIPULATING PARTIES: GTE and AT&T

STATEMENT OF AGREEMENT: Upon a bona fide request, GTE will provide an unbundled loop concentrator/multiplexer element. Such element will begin at the main distribution frame of the serving wire center and end at the Feeder Distribution Interface (FDI) located at the associated remote terminal. AT&T agrees to the following conditions:

1. If implementation supports shared use of required unbundling facilities then the cost of such facilities shall be allocated among the users. If implementation supports only AT&T use of the facilities then AT&T shall pay the cost.

2. AT&T will be responsible for the costs (if any) required to create an interface at the main distribution frame if such interface does not already exist, such as in the case of an Integrated Digital Loop Carrier System.

3. AT&T will agree to pay GTE an agreed upon charge to perform any necessary cross connections within the FDI and at the main distribution frame.

4. Because GTE will be performing all necessary cross connections within the FDI and at the main distribution frame, AT&T agrees that there will be no requirement for personnel of AT&T to access the FDI or the serving wire center.

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