

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
(In Their Capacity as Arbitrators Under 47 U.S.C. § 252)**

July 8, 1997

NASHVILLE, TENNESSEE

**In The Matter of the Interconnection
Agreement Negotiations Between AT&T
Communications of the South Central States,
Inc. and BellSouth Telecommunications, Inc.
Pursuant to 47 U.S.C. Section 252**

**Docket No.
96-01152**

AND

**In the Matter of the Petition of MCI
Telecommunications Corporation for
Arbitration of Certain Terms and Conditions
of a Proposed Agreement with BellSouth
Telecommunications, Inc. Concerning
Interconnection and Resale Under the
Telecommunications Act of 1996**

**Docket No.
96-01271**

**FINAL ORDER ON BELL SOUTH'S MOTION
FOR RECONSIDERATION AND CLARIFICATION**

A hearing was held on Tuesday, March 18, 1997, in Nashville, Tennessee before the Directors of the Authority, Lynn Greer, Chairman; Sara Kyle, Director, and Melvin Malone, Director, acting as Arbitrators in these proceedings under 47 U.S.C. § 252 to deliberate upon BellSouth's Motion for Reconsideration and Clarification. The following appearances were entered at the Hearing.

APPEARANCES:

Guy M. Hicks, Esquire and Bennett Ross, Esquire, Attorneys for BellSouth Telecommunications, Inc., 333 commerce Street, Suite 2101, Nashville, TN 37201-3300 (Fax Number 615/214-7406).

Val Sanford, Esquire, Attorney for AT&T Communications of the South Central States, Inc., GULLETT, SANFORD, ROBINSON & MARTIN, PLLC, 230 4th Avenue North, 3rd Floor, P.O. Box 198888, Nashville, TN 37219-8888 (Fax Number 615/256-6339).

James P. Lamoureux, Esquire, Attorney for AT&T Communications of the South Central States, Inc., Room 4068, 1200 Peachtree Street, NE, Atlanta, GA 30309 (Fax Number 404/810-8629).

Jon E. Hastings, Esquire, Attorney for MCI Telecommunications Corporation, BOULT CUMMINGS, et al, P.O. Box 198062, Nashville, TN 37219.

Pursuant to the Hearing conducted in this proceeding, the Arbitrators deliberated upon the matters for clarification and correction raised by BellSouth's Motion and addressed in AT&T's response thereto, and issued the following clarifications and corrections to the Second and Final Order of Arbitration Awards in Docket No. 96-01152 (January 23, 1997). The Arbitrators revised the second and final Arbitrator's order and transcript and made corrections as they deemed necessary. However, in so doing, the Arbitrators declined to revisit or reconsider any substantive issues, and to that extent, the Arbitrators deny BellSouth's Motion.

IT IS THEREFORE ORDERED:

That the following shall be deleted from the Second and Final Order of Arbitration Awards in Docket No. 96-01152 (January 23, 1997):

1. Page 25, Footnote 31, the phrase-"but have addressed the price in 54 hereof";

2. Section 1.2 of Attachment 1 to MCI's Exhibit I;

3. Page 52, Issue 24, Comments and Discussion, the last sentence of the first full paragraph, the phrase- "unused transmission media (dark fiber)".

The following clarifications and corrections also shall be made to the Second and Final Order of Arbitration Awards in Docket No. 96-01152 (January 23, 1997):

1. Page 53, Paragraph 61 - The reference to "Exhibit "I" in MCI's Table 1" shall be replaced with "Attachment A";

2. Page 53, the last full unnumbered paragraph before the ordering provisions shall read - "On December 3, 1996, the Arbitrators voted unanimously that rates for electronic interfaces and mediation devices connected therewith have not been set, that the rates for selective routing are those submitted by AT&T, and the rates for the advanced intelligence network are those submitted by BellSouth and are contained in Exhibit K";

3. Page 53, Paragraph 62 shall be replaced with the following: "That the prices for selective routing are contained in Exhibit I, and the rates for the advanced intelligent network are contained in Exhibit K".

4. Exhibit I, Page A-3 for the Second and Final Arbitration Order dated January 23, 1997, should be replaced with the attached corrected Exhibit I, page A-3. This replacement includes all of the

original data and adds the proxy rates approved by the Arbitrators for selective routing.

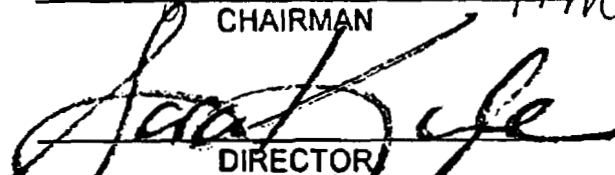
5. Exhibit J shall be amended to contain the approved definition of "local traffic" as adopted by the Arbitrators.

6. The intent of the Arbitrators was to include vertical features in the local switching element; therefore there is one switching rate approved in the Second and Final Order of Arbitration Awards and no clarification is needed.

The Arbitrators further order that the above changes and corrections contained in the attached corrected pages (pp. 25, 52, 53, Exb.I p. A-3, Section 1.2 of Attachment 1, and Exb.J) should be reflected in the Final Order in the MCI/BellSouth Arbitration Docket.

TENNESSEE REGULATORY AUTHORITY
BY ITS DIRECTORS ACTING AS ARBITRATORS


CHAIRMAN


DIRECTOR


DIRECTOR

ATTEST:


EXECUTIVE SECRETARY

ISSUE 5: SHOULD BELLSOUTH BE REQUIRED TO PROVIDE REAL-TIME AND INTERACTIVE ACCESS VIA ELECTRONIC INTERFACES AS REQUESTED BY AT&T AND MCI TO PERFORM THE FOLLOWING: PRE-SERVICE ORDERING, SERVICE TROUBLE REPORTING, SERVICE ORDER PROCESSING AND PROVISIONING, CUSTOMER USAGE DATA TRANSFER, LOCAL ACCOUNT MAINTENANCE?

IF THIS PROCESS REQUIRES THE DEVELOPMENT OF ADDITIONAL CAPABILITIES, IN WHAT TIME-FRAME SHOULD THEY BE DEPLOYED?

WHAT ARE THE COSTS INCURRED, AND HOW SHOULD THOSE COSTS BE RECOVERED?³¹

COMMENTS AND DISCUSSION:

Director Malone, in making a motion on Issue 5, stated that the Arbitration Hearing began with the parties informing the Arbitrators that certain aspects of Issue 5 had been resolved, and all testimony and comments of the parties up to the date of the First Arbitration Conference were consistent with that assertion. It was his belief that good faith negotiations on the matters in Issue 5 should have resulted in a mutually satisfactory agreement. Director Malone, in referring to the testimony of MCI at the Arbitration Hearing, stated that all of the solutions regarding electronic interfaces may not be readily available today, but interim measures, which include a plan for more permanent solutions, are feasible. It was also his judgment, that equal operational interfaces are essential to establishing an environment in which competition has a chance to flourish. The Arbitrators agreed and by a unanimous vote ordered the parties to submit language consistent with Director Malone's comments, both as stated in the First Order and in the Transcript of the Arbitration Conference,³² or, if the parties could not agree on

³¹ The parties did not submit written or oral testimony regarding what costs have been incurred and how, if at all, those costs should be recovered. The Arbitrators have not specifically answered this portion of the questions presented. Director Malone's motion was seconded by Chairman Greer and was passed by unanimous vote of the Arbitrators.

³² See Transcript of Deliberation Proceedings, Volume I A, November 14, 1996, pages 43-45.

ISSUE 24: WHAT SHOULD BE THE PRICE OF EACH OF THE ITEMS CONSIDERED TO BE NETWORK ELEMENTS, CAPABILITIES, OR FUNCTIONS?⁵⁶

COMMENTS AND DISCUSSION:

The Arbitrators found all of the items listed in Issue 14 to be network elements, capabilities, and/or functions and found it to be technically feasible for BellSouth to provide them to AT&T and MCI. In this issue, the Arbitrators considered the prices for each of those elements, capabilities, and/or functions and also handled a part of Issue 25, in that they also set a price for transportation and termination of local traffic. Generally, on November 14, 1996, the Arbitrators answered the question presented, by a unanimous vote, that BellSouth must provide AT&T and MCI with the network interface device, the loop, (except as to MCI for which no price had yet been set for the loop distribution and loop concentrator), local switching, operator systems (and operator support services), dedicated transport, common transport, tandem switching, signaling link transport, signal transfer points, service control points/databases, and directory services at certain proxy prices as shown on Exhibit "I", attached hereto and made a part hereof by reference, until such time as the Authority sets permanent prices. The proxy prices used were based on one of two criteria: existing tariffs where available, with a preference for intrastate tariffs over interstate tariffs; or, where no tariff existed, a price which was logically consistent with the prices submitted by the parties. The Arbitrators also found that the parties had not submitted sufficient evidence to the Arbitrators to allow them to make a decision with regard to the price of selective routing, the advanced intelligence network and mediation devices connected therewith, electronic interfaces, or the loop distribution and loop

⁵⁶ Chairman Greer's motion, as amended and seconded by Director Malone, was passed by unanimous vote of the Arbitrators.

ATTACHMENT 1
PRICE SCHEDULE

1. General Principles

1.1 All rates provided under this Agreement are interim and shall remain in effect until the Commission determines otherwise or unless they are not in accordance with all applicable provisions of the Act, the Rules and Regulations of the FCC, or the Authority's rules and regulations, in which case Part A, Section 2 shall apply.

2. Non-Discriminatory Treatment

BellSouth shall offer rates to MCI in accordance with Part A, Sections 2.4, 13 and 19.

3. Local Service Resale

The rates that MCI shall pay to BellSouth for Resale shall be an amount equal to Bell South's tariffed rates for each noted element as reduced by a percentage amount equal to the Total Applicable Discount (defined below). If BellSouth reduces such tariffed rates during the term of this Agreement, the Total Applicable Discount shall be applied to the reduced tariffed rates.

3.1 Total Applicable Discount

The Total Applicable Discount FOR THE RESALE OF TELECOMMUNICATIONS SERVICES IN TENNESSEE SHALL BE AS FOLLOWS:

FOR RESOLD SERVICES INCLUDING OPERATOR SERVICES AND DIRECTORY ASSISTANCE - 16%

FOR RESOLD SERVICES WITHOUT OPERATOR SERVICES AND DIRECTORY ASSISTANCE - 21.56%

concentrator elements as requested by MCI, therefore the prices for those elements should be submitted in the form of a Final Best Offer.

On December 3, 1996, the Arbitrators voted unanimously that rates for electronic interfaces and mediation devices connected therewith have not been set, that the proxy rates for selective routing are those submitted by AT&T, and the proxy rates for the advanced intelligence network are those submitted by BellSouth and are contained in Exhibit K.

ORDERED:

59. That the proxy prices for the network interface device, the loop, local switching, operator systems (and operator support systems), dedicated transport, common transport, tandem switching, signaling link transport, signal transfer points, service control points/databases, and directory services, be, and hereby are, set as shown on Exhibit "I", attached hereto and made a part hereof by reference.

60. That such proxy prices shall remain in effect until such time as cost studies which comply with the ultimate decision of the Courts on the FCC Report and Order can be completed by the appropriate parties and reviewed by the Authority.

61. That the prices for the loop distribution and loop concentrator elements, as requested by MCI, be, and hereby are, those submitted by MCI as shown in Attachment A.

62. That the prices for selective routing are contained in Exhibit I, page A-3 and the rates for the advanced intelligent network are contained in Exhibit K.

EXHIBIT "I"

Element

Non-Recurring Rate

Loop Connection OR Local Switching OR Combination

Rates currently tariffed in A4.3.1

Port-to-Port Transport

DS1 Local Channel	First/Additional	\$95.87	495.83
DS1 Interoffice Channel	First/Additional	100.48	100.48
Voice Grade	First/Additional	98.00	98.00

Signaling Links

A Link	Each	\$10.00	
D Link	Each	\$10.00	

Signal Control Point

800 DATA BASE			
Reservation Charge, Per 800 number reserved	First/Additional	30.00	0.50
Establishment Charge, Per 800 number established			
with 800 Number Delivery	First/Additional	\$7.50	1.50
Establishment Charge, Per 800 number established			
with POTS Number Delivery	First/Additional	\$7.50	1.50
Change Charge, Per request	First/Additional	48.50	0.50
Customized Area of Service, Per 800 number	First/Additional	3.00	1.50
Multiple Inter-LATA Carrier Routing, Per carrier			
requested, per 800 number	First/Additional	3.50	2.00
Call Handling and Destination Features, Per			
800 number	First/Additional	3.00	3.00

LIDE Database	Each	\$1.00	
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A/N Database

Not Available/Pending development
of mediation device

SELECTIVE ROUTING

NONRECURRING \$5.00

RECURRING \$0

EXHIBIT "J"

Issue 25 What Should Be The Compensation Mechanism For The Exchange Of Local Traffic Between AT&T or MCI and BellSouth?

BellSouth's Proposed Language

Attachment 11 Definitions

"Local Traffic" refers to calls between two or more Telephone Exchange service users where both Telephone Exchange Services bear NPA-NXX designations associated with the same local calling area of the incumbent LEC or other authorized area (e.g., Extended Area Service Zones in adjacent local calling areas). Local traffic includes the traffic types that have been traditionally referred to as "local calling" and as "extended area service (EAS)." All other traffic that originates and terminates between end users within the LATA is toll traffic. In no event shall the Local Traffic area for purposes of local call termination billing between the parties be decreased.

Issue 27 What Is The Appropriate Price For Certain Support Elements Relating to Interconnection and Network Elements?

Rates for Negotiated Interconnection

Rate Element	Application/Description	Type of charge	Rate
Application Fee	Applies per arrangement per location	Non recurring	\$ 3,848.30
Space Preparation Fee	Applies for survey and design of space, covers shared building modification costs	Non recurring	ICB *(1) Will not be less than \$1,788.00
Space Construction Fee	Covers materials and construction of optional cage in 100 square foot increments	Non recurring	\$ 29,744.00 *(2)
Cable Installation Fee	Applies per entrance cable	Non recurring	\$ 4,650.00
Floor Space	Per square foot for Zone A and Zone B offices respectively	Monthly Recurring	\$9.31 / \$8.38 *(3)
Power	Per ampere based on manufacturer's specifications	Monthly Recurring	\$ 5.14 per ampere
Cable Support Structure	Applies per entrance cable	Monthly Recurring	\$13.35 per cable
POT bay	Optional Point of Termination bay; rate is per DS1 / DS3 cross-connect respectively	Monthly Recurring	\$1.20 / \$5.00 *(4)
Cross-connect	Per DS1 / DS3 respectively	Monthly Recurring	\$ 9.28 / \$ 72.48
Security escort	First and additional half hour increments, per tariff rate in Basic time (B), Overtime (O) and Premium time (P).	As required This is a tariffed charge.	\$41.00 / \$25.00 B \$48.00 / \$30.00 O \$55.00 / \$35.00 P

Note 1: Will be determined at the time of the application based on building and space modification requirements for shared space at the requested C.O.

Note 2: Applies only to collocators who wish to purchase a steel-gauge cage enclosure.

Note 3: See attached list for zone A offices as of May 1996. This list will be appended monthly.

Note 4: Applies when collocator does not supply their own POT bay.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

January 23, 1997

SECOND AND FINAL ORDER OF ARBITRATION AWARDS

**IN THE MATTER OF THE INTERCONNECTION AGREEMENT
NEGOTIATION BETWEEN AT&T COMMUNICATIONS OF THE SOUTH
CENTRAL STATES, INC. AND BELL SOUTH TELECOMMUNICATIONS, INC.
PURSUANT TO 47 U.S.C. SECTION 252**

DOCKET NO. 96-01152

**IN THE MATTER OF THE PETITION OF MCI TELECOMMUNICATIONS CORPORATION FOR
ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF A PROPOSED AGREEMENT WITH
BELL SOUTH TELECOMMUNICATIONS, INC. CONCERNING INTERCONNECTION AND RESALE
UNDER THE TELECOMMUNICATIONS ACT OF 1996**

DOCKET NO. 96-01271

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**BEFORE THE TENNESSEE REGULATORY AUTHORITY
(as Arbitrators)**

January ____, 1997

Nashville, Tennessee

**IN THE MATTER OF THE INTERCONNECTION AGREEMENT NEGOTIATION
BETWEEN AT&T COMMUNICATIONS OF THE SOUTH CENTRAL STATES, INC.
AND BELL SOUTH TELECOMMUNICATIONS, INC. PURSUANT TO 47 U.S.C.
SECTION 252**

DOCKET NO. 96-01152

**IN THE MATTER OF THE PETITION OF MCI TELECOMMUNICATIONS
CORPORATION FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF
A PROPOSED AGREEMENT WITH BELL SOUTH TELECOMMUNICATIONS, INC.
CONCERNING INTERCONNECTION AND RESALE UNDER THE
TELECOMMUNICATIONS ACT OF 1996**

DOCKET NO. 96-01271

SECOND AND FINAL ORDER OF ARBITRATION AWARDS

This Second and Final Order of Arbitration Awards (the "Second AT&T Order") embodies all decisions made by Chairman Lynn Greer, Director Melvin Malone, and Director Sara Kyle, acting as Arbitrators, during arbitration conferences held on November 14, 1996, and December 3, 1996, and constitutes the valid, binding, and final decision of the Arbitrators.¹ The decisions rendered by the Arbitrators on November 14, 1996 were memorialized in the Arbitrators' First Order of Arbitration Awards dated November 25, 1996 (the "First Order"). The First Order has been restated, modified, as noted herein, and superseded in its entirety by this

¹ Please note that the term the "Act" when used throughout the Second AT&T Order refers to the Federal Telecommunications Act of 1996; the term "FCC Report and Order" refers to the First Report and Order issued by the Federal Communications Commission (the "FCC") in CC Docket No. 96-98, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, as the same was in effect on November 14, 1996 and December 3, 1996; words in the masculine also denote the feminine and neutral and *vice versa*; and words that are singular may also denote the plural and *vice versa*.

Second AT&T Order, with respect to the Arbitration between AT&T and BellSouth in Docket No. 96-01152 and the Arbitration between MCI and BellSouth in Docket No. 96-01271, as it was consolidated with Docket No. 96-01152. A Second and Final Order of Arbitration Award in Docket No. 96-01271, memorializing additional decisions rendered in Docket No. 96-01271, will be issued as soon as all decisions in Docket No. 96-01271 have been made.

INTRODUCTION:

A properly convened Arbitration Hearing² was held in Docket No. 96-01152 (and portions of Docket No. 96-01271, as it was consolidated with Docket No. 96-01152) on Monday, October 21, 1996, and continuing until Wednesday, October 23, 1996 (the "Arbitration Hearing") in the hearing room of the Tennessee Regulatory Authority (the "Authority"), 460 James Robertson Parkway, Nashville, Tennessee before Chairman Lynn Greer, Director Melvin Malone, and Director Sara Kyle, acting as Arbitrators.³

The purpose of the Arbitration Hearing was to hear oral testimony on certain issues which had been previously submitted to the Arbitrators and refined by the parties and the Arbitrators in a number of documents, arguments, both oral and written, filings, and Orders of the Arbitrators, including, but not limited to:

1. Petition by AT&T for Arbitration under the Telecommunications Act of 1996, filed on July 17, 1996 (the "AT&T Petition");
2. Response of BellSouth to AT&T's Petition for Arbitration filed on August 12, 1996;

² The appearances entered at the Arbitration Hearing are recorded on the last page of this Second AT&T Order.

³ On August 23, 1996, ACSI moved to consolidate its Arbitration in Docket No. 96-01249 with AT&T's Arbitration in Docket No. 96-01152. On August 28, 1996, the Arbitrators ordered that ACSI's Arbitration be consolidated with Docket No. 96-01152. (Also on August 28, 1996, the Arbitrators ordered that the Arbitration initiated by Brooks Fiber Communications of Tennessee, Inc. ("Brooks Fiber") and MCI be consolidated with the AT&T Arbitration. Brooks Fiber withdrew from arbitration on September 11, 1996, because Brooks Fiber and BellSouth were able to resolve their differences.) On the first day of the Arbitration Hearing, ACSI and BellSouth resolved their remaining differences and ACSI withdrew from the AT&T Arbitration.

3. Petition of MCI for Arbitration and Motion to Consolidate filed on August 16, 1996 (the "MCI Petition");
4. Briefs of AT&T and BellSouth filed after Status Conference on August 20, 1996;
5. Joint Issue List filed by AT&T, MCI, and BellSouth on August 29, 1996 (the "Joint Issue List");
6. AT&T's First Supplement to Petition of AT&T for Arbitration under the Telecommunications Act of 1996 filed on August 29, 1996 (the "First Supplement to Petition");
7. Response of MCI to request for a list of common issues filed on August 30, 1996;
8. Response of BellSouth to First Supplement to Petition of AT&T for Arbitration under the Telecommunications Act of 1996 filed on September 4, 1996;
9. Statement as to Common Issues filed by AT&T on September 9, 1996 (the "Common Issues List");
10. Revised List of Issues filed by BellSouth on September 9, 1996 (the "BellSouth Revised List");
11. List of Unresolved Issues filed by AT&T on September 16, 1996 (the "Unresolved Issues List"); and
12. Current Version of Red-lined Interconnection Agreement Being Negotiated between BellSouth and AT&T and Attachment thereto filed by AT&T on October 11, 1996.

The Arbitration Hearing was open to the public at all times.

A properly convened Arbitration Conference was held in the above-captioned matters on Thursday, November 14, 1996 (the "First Arbitration Conference") in the hearing room of the Authority, before the Arbitrators. The purpose of the First Arbitration Conference

was to allow the Arbitrators to deliberate toward and render Arbitration Awards on the major issues that had been presented to them for Arbitration.⁴

Finally, a properly convened second Arbitration Conference was held in the above-captioned matters on Tuesday, December 3, 1996 (the "Second Arbitration Conference") in the hearing room of the Authority, before the Arbitrators.⁵ The purpose of the Second Arbitration Conference was to allow the Arbitrators to deliberate toward and reach decisions on the Final Best Offers of the parties submitted to the Arbitrators on November 26, 1996. The Final Best Offers were submitted to the Arbitrators pursuant to either the First Order or the order of the Arbitrators entitled "Orders From Pre-Arbitration Conference Held on October 14, 1996" dated October 21, 1996.

After due consideration of the arguments made, both in writing and orally, the documents, testimony, and briefs filed, the partial agreements reached among the parties, the oral testimony, the applicable federal and state laws, rules, and regulations in effect on November 14, 1996, and on December 3, 1996, and the entire record of this consolidated proceeding, the Arbitrators deliberated and reached decisions with respect to the issues before them.

PRELIMINARY MATTERS FROM NOVEMBER 14, 1996:

On November 14, 1996, the Arbitrators considered three preliminary matters before they began their deliberations. First, the parties agreed that, if necessary, the Arbitrators could properly reach a decision on one issue which was consolidated as a "genuinely common"

⁴ At the First Arbitration Conference, Mr. Hicks and Mr. Ellenberg were present representing BellSouth; Mr. Sanford, Mr. Walkup, and Mr. Lamoureux were present representing AT&T; and Mr. Hastings and Mr. Henry were present representing MCI. The First Arbitration Conference was open to the public at all times.

⁵ At the Second Arbitration Conference, Mr. Hicks was present representing BellSouth; Mr. Sanford, Mr. Walkup, and Greg Follensbee appeared on behalf of AT&T; and Mr. Hastings and Mr. Henry appeared on behalf of MCI. The Second Arbitration Conference was open to the public at all times.

issue pursuant to the Arbitrators' "Order dated October 16, 1996, as amended by the Arbitrators' Order Granting the Petition of AT&T Communications of the South Central States, Inc. for Reconsideration of Order of October 16, 1996," dated November 8, 1996, but which had become a "unique" issue during the course of the Arbitration (AT&T and BellSouth reached a negotiated settlement regarding the "loop," but MCI and BellSouth did not⁶). They also agreed that the decision could be made in either Docket No. 96-01152 (and Docket No. 96-01271, as it was consolidated with Docket No. 96-01152) or in Docket No. 96-01271.⁷

Second, the parties announced that Issue 17 had been settled through negotiation and that a decision need not be rendered with regard to it for either AT&T or MCI. They further announced that only AT&T would require an answer to the second half of Issue 7. The second half of Issue 7 was restated as "[w]hen BellSouth's employees or agents interact with AT&T's customers with respect to a service provided by BellSouth on behalf of AT&T, what type of branding requirements are technically feasible or otherwise appropriate?" The parties reiterated information with regard to the settlement of a part of Issue 14 between AT&T and BellSouth, a part of Issue 29, and a part of Issue 11.⁸

⁶ See pages 39-40 hereof for a more detailed description of the issue.

⁷ The decision that loop distribution and the loop concentrator/multiplexer are network elements was ultimately rendered in Docket No. 96-01152 (and Docket No. 96-01271, as it was consolidated with Docket No. 96-01152) on November 14, 1996. The prices for loop distribution and the loop concentrator/multiplexer were set on December 3, 1996.

⁸ A third matter was considered as a preliminary matter by the Arbitrators on November 14, 1996. The Arbitrators unanimously ordered that certain decisions in the Arbitration would be considered rendered when voted upon on November 14, 1996, that each party must submit a form of the complete proposed First Order of Arbitration Awards to Penelope Register, Senior Counsel, in the Legal Division by 3:00 p.m. on Tuesday, November 19, 1996, that Ms. Register should submit a draft of the First Order of Arbitration Awards to the Arbitrators on Friday, November 22, 1996, by 10:00 a.m., that the Arbitrators shall undertake to have a signed copy of the First Order of Arbitration Awards to the parties as close to 12:00 noon on Monday, November 25, 1996, as is possible, that the Final Best Offers on all remaining unresolved issues were due to the Authority by 4:30 p.m. on Tuesday, November 26, 1996, and that a decision on the Final Best Offers was expected to be reached by the Arbitrators at a second arbitration conference on Tuesday, December 3, 1996.

PRELIMINARY MATTERS FROM DECEMBER 3, 1996:

On December 3, 1996, the Arbitrators considered several preliminary matters before they began their deliberations on the Final Best Offers. Chairman Greer made a motion that several corrections and additions needed to be made in the First Order and that those corrections and amendments should also be reflected in the Second AT&T Order. In making his motion, he noted that, with regard to Issue 24, while MCI and AT&T asked for and BellSouth agreed to provide, data switching, multiplexing/digital cross-connect, and 911 Services, no party had submitted prices for these network elements, capabilities, or functions as part of their submissions regarding price on either November 4, 1996, or November 8, 1996. This omission could lead one to conclude that the parties were no longer requesting a price for such elements. Nevertheless, in the absence of a specific statement by the parties to that effect, the Arbitrators were prepared to set a price for those elements. He further noted that for Issues 16 and 21, no party had followed the dictates of the Arbitrators in formulating its Final Best Offers. The parties had been ordered to state, among other things, definitions for the terms "legitimate inquiry," "proprietary information," and "reasonable conditions" and no party did so. Finally, he observed that Paragraph 32 of the First Order does not agree with the Authority's Proposed Rule 1220-4-8-.07, which, if approved by the Attorney General, will allow price reductions to go into effect at any time. He stated that this information should be contained in a footnote to the corresponding paragraph in the Second AT&T Order⁹ and that the paragraph should be amended to reflect that the action ordered in that paragraph must be consistent with state law. His entire motion on clarifications and corrections was seconded by Director Malone and approved unanimously by the Arbitrators.

⁹ Paragraph 32 of the First Order corresponds to Paragraph 38 of the Second AT&T Order.

Thereafter Director Malone made a motion to clarify a section in the First Order. He moved that footnote 26 of the First Order should read-with respect to the NID, AT&T or MCI may either use existing excess capacity on BellSouth's NIDs or ground existing but dormant BellSouth loops and connect directly to BellSouth's NIDs. In such case, the burden of properly grounding BellSouth's loop after disconnection and maintaining such in proper order and safety would be the responsibility of AT&T and MCI. During the Arbitration Hearing, AT&T indicated that it would be willing to indemnify BellSouth for any damages caused by AT&T relative to the disconnecting and grounding of BellSouth's loop from the NID. If BellSouth desires such indemnification, then both AT&T and MCI must indemnify BellSouth for actual damages caused by AT&T or MCI. The motion was seconded by Chairman Greer and unanimously approved by the Arbitrators.

Finally, Chairman Greer made a motion that the decisions made on December 3, 1996 would be considered rendered when voted upon that day. The motion passed unanimously.

ORDERED:

1. That Paragraph 9d of the First Order (and as the same is restated in this Second AT&T Order) shall read "[t]he maximum rate which AT&T or MCI may charge for LifeLine Services shall be capped at the retail flat rate offered by BellSouth."¹⁰

2. That in Issue 24, the price for 911 Services be, and hereby is, the retail rate, less the wholesale discount and the price for data switching and multiplexing/digital cross-connects be, and hereby is, the price named by BellSouth, until the time that permanent prices are set.¹¹

¹⁰ This clarification is reflected on page 16 hereof.

¹¹ This clarification is reflected on page 54 hereof.

3. That in Issue 16, the last paragraph under "Comments and Discussion" in the First Order (and as the same is restated in this Second AT&T Order) shall be amended to add that in some circumstances, where limited capacity remains, a party may be permitted to reserve all remaining capacity.¹²

4. That the language in the Interconnection Agreements submitted to the Authority by AT&T and BellSouth and MCI and BellSouth for approval must reflect the "Comments and Discussion" under Issues 16 and 21.

5. That Paragraph 32 in the First Order (and as the same is restated at Paragraph 38 in this Second AT&T Order) shall read "[t]hat any such tariff(s) shall not become effective for thirty (30) days from the date it is filed with the Authority, consistent with state law" and shall require a footnote to explain that the action ordered in Paragraph 38 may conflict with the Authority's Proposed Rule 1220-4-8-.07, which, if approved by the Attorney General, will allow price reductions to go into effect at any time.¹³

6. That footnote 26 of the First Order (and as the same is restated in this Second AT&T Order) should read as follows-with respect to the NID, AT&T or MCI may either use existing excess capacity on BellSouth's NIDs or ground existing but dormant BellSouth loops and connect directly to BellSouth's NIDs. In such case, the burden of properly grounding BellSouth's loop after disconnection and maintaining such in proper order and safety would be the responsibility of AT&T and MCI. During the Arbitration Hearing, AT&T indicated that it would be willing to indemnify BellSouth for any damages caused by AT&T relative to the disconnecting

¹² This clarification is reflected on page 44 hereof.

¹³ This clarification is reflected on page 34 hereof.

and grounding of BellSouth's loop from the NID. If BellSouth desires such indemnification then both AT&T and MCI must indemnify BellSouth for actual damages caused by AT&T or MCI."¹⁴

7. That the decisions made at the Second Arbitration Conference on December 3, 1996 are considered rendered when voted upon.

¹⁴ This clarification is reflected on page 40 hereof.

ISSUE 1: WHAT SERVICES PROVIDED BY BELL SOUTH, IF ANY, SHOULD BE EXCLUDED FROM RESALE?¹⁵

COMMENTS AND DISCUSSION:

On November 14, 1996, the Arbitrators ordered that all services provided by BellSouth, with the exception of short-term promotions, as that term is defined below, should be made available for resale, including specifically, but without limiting the foregoing, long-term promotions, as that term is defined below, LifeLine Services, Link-Up Services, grandfathered or obsoleted services, 911 Services, contract service arrangements, and state-specific discount plans. In other words, the Arbitrators answered the question presented, by a unanimous vote, as follows: that no service provided by BellSouth shall be excluded from resale, except short-term promotions.

With regard to the resale of 911 Services, each of the Arbitrators recognized the importance of the service and that 911 boards should not be excluded from the benefits which may be derived from competition. They cautioned not only those subject to the provisions of any order of arbitration award, but also the 911 boards in the State of Tennessee, to preserve, protect, and verify that the effectiveness and integrity of the emergency systems will not be harmed if they choose to change telecommunications carriers.

Finally, Director Malone added that restrictions on cross-class selling are permissible restrictions on the services available for resale.¹⁶

¹⁵ The motion was made by Chairman Greer and amended by Director Malone. The motion, as amended, was seconded by Director Malone and passed unanimously.

¹⁶ This matter was also covered in the motion made by Director Kyle in Issue 2. Both the amendment which Director Malone made to the motion of Chairman Greer in Issue 1 and the motion of Director Kyle in Issue 2 passed unanimously. The order on this aspect has been reduced to writing in Paragraph 13.

On December 3, 1996, the Arbitrators voted unanimously to adopt the language proposed by BellSouth with regard to contract service arrangements, nonrecurring charges, and inside wire maintenance.¹⁷

ORDERED:

8. That all services provided by BellSouth, with the exception of short-term promotions, as that term is defined below, should be, and hereby are, made available by BellSouth for resale to AT&T and MCI.

9. That the following terms and conditions on short-term and long-term promotions are reasonable and necessary, and shall be implemented:

a. Short-term promotions be, and hereby are, defined as those promotions that are offered for a ninety (90) day period or less, and which are not offered on a consecutive basis:

b. Long-term promotions be, and hereby are, defined as those promotions that are offered for more than ninety (90) days;

c. In order to prohibit any abuse or potential abuse of the provision that short-term promotions are not available for resale, BellSouth may not offer a series of the same or substantially similar short-term promotions;

d. Long-term promotions may be obtained by AT&T or MCI at one of the following rates:

(1) the stated tariff rate, less the wholesale discount;

¹⁷ Chairman Greer made the motion on the Final Best Offer. It was seconded by Director Kyle and unanimously approved.

(2) the promotional rate (the promotional rate offered by BellSouth will not be discounted further by the wholesale discount rate);

e. When AT&T or MCI obtains a long-term promotional offering at the promotional rate, they will only be permitted to obtain the promotional rate for the period that the promotion is offered by BellSouth. At the time the promotion ends, if AT&T or MCI chooses to continue obtaining the applicable service, they must obtain that service at the stated tariff rate, less the wholesale discount;

f. AT&T and MCI can only offer a promotional rate for a service obtained subject to the provisions of this Paragraph 8 to customers who would have qualified for the promotional rate if the service were being offered by BellSouth;

g. Any benefit of the promotion must be realized within the time period of the promotion and BellSouth may not use promotional offerings to evade the wholesale obligation. If AT&T or MCI believes that such abuse is occurring, they may file a petition with the Authority challenging the promotion and, if such petitions are many in number, the Directors of the Authority may contemplate the establishment of specific rules governing promotional discounts, which may include, not only the provisions listed above, but also additional rules or, in the alternative, the Directors may consider making all promotions available for resale.

10. That the following terms and conditions on the resale of LifeLine Services are reasonable and necessary, and shall be implemented:

a. AT&T and MCI shall only offer LifeLine Service to customers who meet the qualifications outlined in the "means test";

b. LifeLine Services and rates shall be offered by AT&T or MCI in a manner similar to the manner in which LifeLine Services are offered in the market today, that is through a discount to BellSouth's Message Rate Service, General Subscriber Tariff A3.2.4;¹⁸

c. AT&T and MCI shall purchase BellSouth's Message Rate Service at the stated tariff rate, less the wholesale discount. AT&T and MCI must further discount the wholesale Message Rate Service to LifeLine customers with a discount which is no less than the minimum discount that BellSouth now provides;

d. The maximum rate which AT&T and MCI may charge for LifeLine Service shall be capped at the retail flat rate offered by BellSouth;

e. BellSouth shall charge the federally-mandated Subscriber Line Charge (currently \$3.50) to AT&T and MCI;¹⁹

f. AT&T and MCI are required to waive the Subscriber Line Charge for the end-user;

g. AT&T and MCI are responsible for recovering the Subscriber Line Charge from the National Exchange Carriers Association's interstate toll settlement pool just as BellSouth does today.

11. That the following terms and conditions on the resale of Link-Up Service are reasonable and necessary, and shall be implemented:

a. AT&T and MCI may offer Link-Up Service only to those customers who meet the qualifications outlined in the "means test";

¹⁸ However, if a competitor has a proposal that it believes is just and reasonable, the competitor may file the proposal with the Authority for consideration.

¹⁹ See FCC Report and Order, Paragraph 983.

b. AT&T and MCI must further discount the Link-Up Service by at least the percentage that is now offered by BellSouth;

c. AT&T and MCI are responsible for recouping the additional discount in the same manner as BellSouth does today.

12. That AT&T and MCI may only offer grandfathered services to customers or subscribers who have already been grandfathered. Grandfathered services may not be resold to a new or different group of customers or subscribers.

13. That, while BellSouth has been ordered to make 911 Services available for resale, AT&T and MCI are cautioned to preserve the integrity of 911 Services.

14. That the Final Best Offer proposed by BellSouth with regard to contract service arrangements, nonrecurring services, and inside wire maintenance, attached hereto as Exhibit "A" and made a part hereof by reference, be, and hereby is, approved and adopted by the Arbitrators.

ISSUE 2: WHAT TERMS AND CONDITIONS, INCLUDING USE AND USER RESTRICTIONS, IF ANY, SHOULD BE APPLIED TO RESALE OF BELLSOUTH SERVICES?²⁰

COMMENTS AND DISCUSSION:

On November 14, 1996, the Arbitrators answered the question presented by unanimous vote. Director Kyle, in making the motion, stated that in light of the FCC's referring to limitations as "presumptively unreasonable," she wished to adopt only the restrictions stated in the FCC Report and Order, i.e., no resale of access, no resale to independent pay phone providers, and no cross-class selling.²¹ Chairman Greer stated that he concurred with Director Kyle's motion, but wanted to amend it by adding that AT&T and MCI must resell services in compliance with the applicable terms and conditions in BellSouth's retail tariffs. Director Malone further stated that the applicable terms and conditions in the tariffs must be just, reasonable, and nondiscriminatory as required by the Act.

On December 3, 1996, the Arbitrators ordered that the contract language negotiated by and between BellSouth and AT&T to comply with the Arbitrators' First Order and to resolve any remaining unresolved issues under Issue 2 shall also be used by MCI and BellSouth in their Interconnection Agreement.²²

ORDERED:

15. That no terms and conditions, including use and user restrictions, will be applicable to the resale of BellSouth services, except for:

²⁰ Motion was made by Director Kyle and amended by Chairman Greer with comments by Director Malone. The motion, as amended, was seconded by Chairman Greer and was passed by unanimous vote of the Arbitrators.

²¹ See FCC Report and Order, Paragraphs 871, 872, 873, 874, 875, 876, and 877, based upon the Act at Section 251 (c)(4).

²² Director Malone's motion on December 3, 1996, was seconded by Chairman Greer and was passed by the unanimous vote of the Arbitrators.

a. the terms and conditions listed above in Paragraphs 9, 10, 11, 12 and 13;

b. a restriction on the resale of access;

c. a restriction on the resale to independent pay phone providers;

d. a restriction on cross-class selling; and

e. reasonable, non-discriminatory, and narrowly tailored terms, conditions, and limitations in the underlying BellSouth tariffs.

16. That the contract language negotiated by and between BellSouth and AT&T to comply with the Arbitrators' First Order and to resolve any remaining unresolved issues under Issue 2 shall also be used by MCI and BellSouth in their Interconnection Agreement.

ISSUE 3: WHAT ARE THE APPROPRIATE STANDARDS, IF ANY, FOR PERFORMANCE METRICS, SERVICE RESTORATION, AND QUALITY ASSURANCE RELATED TO SERVICES PROVIDED BY BELL SOUTH FOR RESALE AND FOR NETWORK ELEMENTS PROVIDED TO AT&T AND MCI BY BELL SOUTH?²³

COMMENTS AND DISCUSSION:

On November 14, 1996, Director Malone, in making the motion on Issue 3, advised the other Arbitrators and the parties that his position on Issue 3 was that it should have been resolved by and between the parties. As support for his position, Director Malone noted that both AT&T and MCI stated in their pre-filed and oral testimony that they wanted performance metrics and quality assurances so that they could provide the same quality of services to their customers as BellSouth does to its customers, and that BellSouth had indicated in its pre-filed and oral testimony a willingness to provide AT&T and MCI with the same quality of services that BellSouth provides to itself and its end-users. It was his opinion that, in addition to the parties' apparent agreement about the need for and the appropriate degree of quality assurances, the Act required parity. Also relevant to his motion on Issue 3 was that AT&T had indicated at the Arbitration Hearing that it would be willing to submit to mediation on this issue, as suggested by MCI, if BellSouth was willing to provide AT&T with the same quality of services that it provides to itself and its end users, that AT&T and MCI should have a mechanism available to measure quality and compliance with the Act, and that it appears that no internal performance standards are currently available from BellSouth.

From all of the above, Director Malone concluded that, until the parties or the industry adopt performance and quality standards, BellSouth should, at a minimum, measure

²³ Director Malone's motion was seconded by Chairman Greer and was passed by unanimous vote of the Arbitrators.

certain service levels and report the results to AT&T and MCI on a regular basis. Among other things, the reporting format should allow AT&T and MCI to compare the level of service that they and their customers receive from BellSouth with the level of service that BellSouth provides to itself and its customers.

Based upon the foregoing comments and observations, the Arbitrators voted unanimously on Issue 3 and ordered, among other things, that on November 21, 1996, the parties should attempt to submit language establishing interim performance metrics, service restoration standards, and quality assurances, which should include reporting requirements from BellSouth to AT&T and MCI, consistent with the First Order and with Director Malone's comments both in the First Order and in the Transcript of the Arbitration Conference.²⁴ If the parties could not agree on interim performance and reporting standards and requirements by November 21, 1996, the parties had to submit their Final Best Offers establishing interim performance metrics, service restoration standards, and quality assurances, which shall include reporting requirements from BellSouth to AT&T and MCI, consistent with Director Malone's comments, both as stated in the First Order and in the Transcript of the Arbitration Conference, by no later than 4:30 p.m. on Tuesday, November 26, 1996.²⁵

Neither AT&T and BellSouth, nor MCI and BellSouth were able to come to an agreement by November 21, 1996, so each submitted its Final Best Offer on November 26, 1996. On December 3, 1996, the Arbitrators unanimously approved and adopted the Final Best Offer proposed by AT&T.²⁶

²⁴ See Transcript of Deliberation Proceedings, Volume I A, November 14, 1996, pages 28-35.

²⁵ The parties may choose to start with the proposed language on performance standards contained at Section 12 of the draft Interconnection Agreement filed by AT&T with the Authority on October 11, 1996.

²⁶ Chairman Greer's motion was seconded by Director Kyle and unanimously approved by the Arbitrators. In casting his vote, Director Malone commented for the record that BellSouth's witness at the Arbitration Hearing did

ORDERED:

17. That BellSouth must provide performance metrics, service restoration, and quality assurance related to the services it provides for resale and/or for the network elements that it provides to MCI and AT&T which are equal to those it provides to itself and its end-users.

18. That the Final Best Offer proposed by AT&T with regard to performance metrics, service restoration, and quality assurance, attached hereto as Exhibit "B" and made a part hereof by reference, be, and hereby is, approved and adopted by the Arbitrators.

19. That these interim performance and reporting standards and requirements shall govern until the parties or the telecommunications industry develop more permanent standards.

not present consistent and reliable testimony regarding whether BellSouth did or did not have internal performance standards. This fact supported his refusal to adopt the language proposed by BellSouth.

ISSUE 4: MUST BELLSOUTH TAKE FINANCIAL RESPONSIBILITY FOR ITS OWN ACTION IN CAUSING, OR ITS LACK OF ACTION IN PREVENTING, UNBILLABLE OR UNCOLLECTIBLE AT&T REVENUE?²⁷

COMMENTS AND DISCUSSION:

The Arbitrators found that at the Arbitration Hearing, Mr. Shurter had stated, on behalf of AT&T, "if BellSouth's actions or inactions cause unbillable or uncollectible revenues for AT&T, BellSouth should indemnify AT&T for those revenues lost. This indemnification practice has been a standard provision of contracts we've had with BellSouth where we've asked them to bill our end-users for long distance telephone calls."²⁸ This testimony went unchallenged by BellSouth. After due consideration of the evidence presented on Issue 4, including the Arbitrators belief that BellSouth had demonstrated a record of reliability when it had billed AT&T's end-users for long-distance services in the past, the Arbitrators answered the question presented, by a unanimous vote, that BellSouth must take financial responsibility for its own action in causing, or its lack of action in preventing, unbillable or uncollectible AT&T revenue and that, because AT&T and BellSouth are privy to the current indemnification practices between the two companies, they must submit language consistent with the Arbitrators' comments, both as stated in the First Order and in the Transcript of the Arbitration Conference²⁹ by November 21, 1996, or, if the parties could not agree on language, to submit separately their Final Best Offers consistent with the Arbitrators' comments, both as stated in the First Order and in the Transcript of the Arbitration Conference, by no later than 4:30 p.m. on Tuesday, November 26, 1996.

²⁷ Director Malone's motion was seconded by Director Kyle and was approved by a unanimous vote of the Arbitrators.

²⁸ See Transcript of Arbitration Hearing, Volume III D, October 23, 1996, page 286.

²⁹ See Transcript of Deliberation Proceedings, Volume I A, November 14, 1996, pages 39-42.

Neither AT&T and BellSouth, nor MCI and BellSouth were able to come to an agreement by November 21, 1996, so each submitted its Final Best Offer on November 26, 1996. On December 3, 1996, the Arbitrators unanimously approved and adopted the Final Best Offer proposed by BellSouth.³⁰

ORDERED:

20. That BellSouth must take financial responsibility for its own action in causing, or its lack of action in preventing, unbillable or uncollectible AT&T revenues in the same manner that it indemnifies or has indemnified AT&T when billing AT&T's end-users for long-distance service.

21. That the Final Best Offer proposed by BellSouth with regard to financial responsibility, attached hereto as Exhibit "C" and made a part hereof by reference, be, and hereby is, approved and adopted by the Arbitrators.

³⁰ Director Malone's motion was seconded by Director Kyle and unanimously approved by the Arbitrators.

ISSUE 5: SHOULD BELLSOUTH BE REQUIRED TO PROVIDE REAL-TIME AND INTERACTIVE ACCESS VIA ELECTRONIC INTERFACES AS REQUESTED BY AT&T AND MCI TO PERFORM THE FOLLOWING: PRE-SERVICE ORDERING, SERVICE TROUBLE REPORTING, SERVICE ORDER PROCESSING AND PROVISIONING, CUSTOMER USAGE DATA TRANSFER, LOCAL ACCOUNT MAINTENANCE?

IF THIS PROCESS REQUIRES THE DEVELOPMENT OF ADDITIONAL CAPABILITIES, IN WHAT TIME-FRAME SHOULD THEY BE DEPLOYED?

WHAT ARE THE COSTS INCURRED, AND HOW SHOULD THOSE COSTS BE RECOVERED?³¹

COMMENTS AND DISCUSSION:

Director Malone, in making a motion on Issue 5, stated that the Arbitration Hearing began with the parties informing the Arbitrators that certain aspects of Issue 5 had been resolved, and all testimony and comments of the parties up to the date of the First Arbitration Conference were consistent with that assertion. It was his belief that good faith negotiations on the matters in Issue 5 should have resulted in a mutually satisfactory agreement. Director Malone, in referring to the testimony of MCI at the Arbitration Hearing, stated that all of the solutions regarding electronic interfaces may not be readily available today, but interim measures, which include a plan for more permanent solutions, are feasible. It was also his judgment, that equal operational interfaces are essential to establishing an environment in which competition has a chance to flourish. The Arbitrators agreed and by a unanimous vote ordered the parties to submit language consistent with Director Malone's comments, both as stated in the First Order and in the Transcript of the Arbitration Conference,³² or, if the parties could not agree on

³¹ The parties did not submit written or oral testimony regarding what costs have been incurred and how, if at all, those costs should be recovered. The Arbitrators have not specifically answered this portion of the question presented, but have addressed the price in Paragraph 54 hereof. Director Malone's motion was seconded by Chairman Greer and was passed by unanimous vote of the Arbitrators.

³² See Transcript of Deliberation Proceedings, Volume I A, November 14, 1996, pages 43-45.

ISSUE 6: WHEN AT&T RESELLS BELLSOUTH'S LOCAL EXCHANGE SERVICE, OR PURCHASES UNBUNDLED LOCAL SWITCHING, IS IT TECHNICALLY FEASIBLE OR OTHERWISE APPROPRIATE TO ROUTE 0+ AND 0- CALLS TO AN OPERATOR OTHER THAN BELLSOUTH'S, TO ROUTE 411 AND 555-1212 DIRECTORY ASSISTANCE CALLS TO AN OPERATOR OTHER THAN BELLSOUTH'S, OR TO ROUTE 611 REPAIR CALLS TO A REPAIR CENTER OTHER THAN BELLSOUTH'S?³⁵

COMMENTS AND DISCUSSION:

Director Kyle, in making the motion on Issue 6, observed that when companies compete they need every opportunity to distinguish themselves and their products to the consumer. As a matter of policy, where AT&T and MCI have their own operators, directory assistance, and repair personnel, they should be given the opportunity to use them. In addition, the Arbitrators voted unanimously that, through the use of line-class codes, customized or selective routing was technically feasible to allow AT&T and MCI to use their own operators, directory assistance, and repair personnel. The Directors further noted that the use of line-class codes should be considered a short-term, rather than a permanent, solution to the problem, that a long-term solution should be developed by the parties and/or the industry, and that, in the meantime, line-class codes should be used in a prudent and conservative manner.

On December 3, 1996, the Arbitrators found that the language negotiated by and between BellSouth and AT&T to comply with the Arbitrators' First Order and to resolve any

³⁵ Director Kyle's motion was amended by Director Malone in order to state that where BellSouth uses 611 as the number a customer must call to reach its repair centers, AT&T and MCI should have the ability to have a call routed to their own repair centers through customized or selective routing, but, where BellSouth uses a seven (7) digit number to allow a customer to reach its repair center, AT&T and MCI, be, and hereby are, ordered to provide their own seven (7) digit numbers for reaching their repair centers. The motion, as amended, was seconded by Director Malone and was passed by a unanimous vote of the Arbitrators.

remaining unresolved issues under Issue 6 shall also be used by MCI and BellSouth in their Interconnection Agreement.³⁶

ORDERED:

24. That it is appropriate and technically feasible to route 0+ and 0- calls to an operator other than BellSouth's, to route 411 and 555-1212 directory assistance calls to an operator other than BellSouth's, and to route 611 repair calls to a repair center other than BellSouth's.

25. That where BellSouth uses 611 as the number a customer must call to reach its repair centers, AT&T and MCI should have the ability to have a call routed to their own repair centers through customized or selective routing, but, where BellSouth uses a seven (7) digit number to allow a customer to reach its repair center, AT&T and MCI, be, and hereby are, ordered to provide their own seven (7) digit numbers for reaching their repair centers.

26. That it is technically feasible for BellSouth to achieve customized or selective routing for AT&T and MCI through the use of line-class codes.

27. That the parties be, and hereby are, cautioned to conserve line-class codes and to work together with the appropriate industry groups to develop a long-term solution to the technical feasibility issues presented in Issue 6.

28. That the contract language negotiated by and between BellSouth and AT&T to comply with the Arbitrators' First Order and to resolve any remaining unresolved issues under Issue 6 shall also be used by MCI and BellSouth in their Interconnection Agreement.

³⁶ Chairman Greer's motion was seconded by Director Malone and passed unanimously.

ISSUE 7: WHEN AT&T OR MCI RESELLS BELL SOUTH'S SERVICES, IS IT TECHNICALLY FEASIBLE OR OTHERWISE APPROPRIATE TO BRAND OPERATOR SERVICES AND DIRECTORY SERVICE CALLS THAT ARE INITIATED FROM THOSE RESOLD SERVICES?

WHEN BELL SOUTH'S EMPLOYEES OR AGENTS INTERACT WITH AT&T'S CUSTOMERS WITH RESPECT TO A SERVICE PROVIDED BY BELL SOUTH ON BEHALF OF AT&T, WHAT TYPE OF BRANDING REQUIREMENTS ARE TECHNICALLY FEASIBLE OR OTHERWISE APPROPRIATE?³⁷

COMMENTS AND DISCUSSION:

The Arbitrators unanimously answered the question presented in the first half of Issue 7 that it is appropriate and technically feasible for operator services and directory assistance calls to be branded even if they are BellSouth services that are being resold. The Arbitrators agreed that to provide "branding" would help to promote competition. Similarly, the Arbitrators unanimously voted for parity with regard to the second half of Issue 7-that BellSouth must brand "leave behind cards" for AT&T when BellSouth's employees or agents act on behalf of AT&T. If BellSouth wishes to use a generic leave behind card for AT&T, BellSouth must also use a generic card for itself. If BellSouth wishes to use a preprinted card for itself, it must also use an AT&T preprinted card. BellSouth technicians cannot market BellSouth services when acting on behalf of AT&T.

On December 3, 1996, the Arbitrators found that the language negotiated by and between BellSouth and AT&T to comply with the Arbitrators' First Order and to resolve any remaining unresolved issues under Issue 7 shall also be used by MCI and BellSouth in their Interconnection Agreement.

³⁷ Issue 7 was addressed in two parts. On the first part, Director Malone's motion, as seconded by Director Kyle, was passed by a unanimous vote of the Arbitrators. On the second part, Director Malone's motion, as seconded by Chairman Greer, was passed by a unanimous vote of the Arbitrators.

ORDERED:

29. That when AT&T or MCI resells BellSouth's services, it is technically feasible and appropriate for BellSouth to brand for the reseller the operator services and directory services provided by BellSouth that are initiated from those resold services.

30. That if, for any reason, it is not possible to brand operator services and directory assistance for a particular reseller, including, but not limited to, AT&T or MCI, BellSouth be, and hereby is, ordered to revert to generic branding for all local exchange service providers, including itself.

31. That when BellSouth's employees or agents interact with AT&T customers with respect to a service provided by BellSouth on behalf of AT&T, it is technically feasible and appropriate for BellSouth to provide for parity in all respects and to refrain from marketing itself during such contact or interaction.

32. That the contract language negotiated by and between BellSouth and AT&T to comply with the Arbitrators' First Order and to resolve any remaining unresolved issues under Issue 7 shall also be used by MCI and BellSouth in their Interconnection Agreement.

ISSUE 8: WHAT BILLING AND USAGE RECORDING SERVICES AND SYSTEMS, FORMAT, AND QUALITY ASSURANCE PROCESSES SHOULD BE PROVIDED BY BELL SOUTH IN ASSOCIATION WITH SERVICES AND ELEMENTS PROVIDED TO AT&T/MCI?³⁴

COMMENTS AND DISCUSSION:

Chairman Greer stated that during oral testimony it was mentioned that AT&T had reached agreement with BellSouth to use the Customer Record Information System ("CRIS") billing system on an interim basis. The testimony also revealed that the Open Billing Forum or Ordering and Billing Forum (the "OBF"), an industry standard-setting organization, is working on a long-term solution to this issue. Chairman Greer also said that while he understood MCI's request for CABS, he believed, on an interim basis, BellSouth should be permitted to use the CRIS billing system. However, in doing so, BellSouth must provide the same quality and timely billing to AT&T and MCI that it affords itself.

On December 3, 1996, the Arbitrators were asked by AT&T to consider as a part of Issue 8 - whether BellSouth should be required to report its customers' credit history to a national credit bureau. The Arbitrators unanimously voted that this aspect of Issue 8 was a new issue and declined to take any action. In addition, the Arbitrators voted unanimously that the contract language negotiated by and between BellSouth and AT&T to comply with the Arbitrators' First Order and to resolve any remaining unresolved issues under Issue 8 shall also be used by MCI and BellSouth in their Interconnection Agreement in Tennessee.

³⁴ The motion by Chairman Greer was seconded by Director Malone and was passed by the unanimous vote of the Arbitrators.

ORDERED:

33. That BellSouth shall provide, on an interim basis, the Customer Record Information System ("CRIS") billing system as the billing and usage recording service in association with the services and elements provided to AT&T and MCI.

34. That BellSouth shall provide AT&T and MCI with the same systems, format, and quality assurance processes (internal quality controls and measurements) that it provides to itself.

35. That AT&T, MCI, and BellSouth be and hereby are directed to work in a cooperative effort with the OBF to establish a long-term solution to this issue.

36. That the contract language negotiated by and between BellSouth and AT&T to comply with the Arbitrators' First Order and to resolve any remaining unresolved issues under Issue 8 shall also be used by MCI and BellSouth in their Interconnection Agreement in Tennessee.

ISSUE 11: SHOULD BELL SOUTH BE REQUIRED TO PROVIDE NOTICE TO ITS WHOLESALE CUSTOMERS (HERE SPECIFICALLY AT&T) OF CHANGES TO BELL SOUTH'S SERVICES? IF SO, IN WHAT MANNER AND IN WHAT TIME-FRAME?³⁵

COMMENTS AND DISCUSSION:

At the Arbitration Hearing, the parties announced that they had come to an agreement with regard to Issue 11, but were still unable to agree on the specific contract language. At the beginning of the Arbitration Conference, AT&T and BellSouth agreed that BellSouth should provide notice of service and/or pricing changes and that the only part of Issue 11 which the Arbitrators must decide was in what manner and in what time-frame should BellSouth notify AT&T of changes to BellSouth's services and/or prices. The Arbitrators answered the question presented, by a unanimous vote upon the motion of Chairman Greer, that BellSouth shall notify AT&T of service and/or price changes at the same time it submits the applicable tariff or tariffs to the Authority and that any such tariff(s) shall not become effective for thirty (30) days. Chairman Greer further stated that if BellSouth notifies AT&T of a change in service and/or pricing prior to the time it files the applicable tariff(s) with the Authority, and it subsequently modifies the tariff(s) which it files with the Authority that BellSouth is liable for any expenses incurred by AT&T because of the modification.

ORDERED:

37. That BellSouth be, and hereby is, required to notify AT&T of service and/or price changes at the same time that it submits the applicable tariff and/or tariffs reflecting those changes to the Authority.

³⁵ Issues 9 and 10 had been removed from consideration by the Arbitrators. Issue 9 was the subject of an Order of the Arbitrators dated October 21, 1996, entitled "Order Re: the Treatment of Issue 9". Issue 10 was settled and removed through negotiations at the Arbitration Hearing. Chairman Greer's motion was seconded by Director Kyle and passed by the unanimous vote of the Arbitrators.

38. That any such tariff(s) shall not become effective for thirty (30) days from the date it is filed with the Authority, consistent with applicable state law.⁴⁰

39. That, in the event that BellSouth notifies AT&T of a change in service and/or pricing prior to the time it files the applicable tariff(s) with the Authority, and BellSouth subsequently modifies the tariff(s) which it files with the Authority, BellSouth shall be liable for any expenses incurred by AT&T because of the modification.

⁴⁰ The action ordered in Paragraph 38 may conflict with the Authority's Proposed Rule 1220-4-8-.07, which, if approved by the Attorney General, will allow price reductions to go into effect at any time. To the extent that this is or becomes a conflict, the Rule shall control.

ISSUE 12: HOW SHOULD BELLSOUTH TREAT A PIC [PRIMARY INTEREXCHANGE CARRIER] CHANGE REQUEST RECEIVED FROM AN IXC (OTHER THAN THE ALEC) FOR AN ALEC'S LOCAL CUSTOMER?⁴¹

COMMENTS AND DISCUSSION:

Director Malone, in making the motion, stated that currently all PIC changes go through a customer's local service provider. The parties did not present compelling evidence that a change from the current procedure was necessary or advisable. The Arbitrators reached a unanimous decision.

ORDERED:

40. That the current procedure for handling PIC changes is the appropriate method for handling a PIC change received from an IXC (other than the ALEC) for an ALEC's local customer, and that PIC changes be, and hereby are, ordered to continue to be processed through the customer's local service provider, unless the competitor and BellSouth agree to another arrangement.

⁴¹ Director Malone's motion was seconded by Director Kyle and passed by unanimous vote of the Arbitrators.

ISSUE 13: MUST BELL SOUTH PRODUCE ALL INTERCONNECTION AGREEMENTS TO WHICH BELL SOUTH IS A PART[Y], INCLUDING THOSE WITH OTHER ILECS, EXECUTED PRIOR TO THE EFFECTIVE DATE OF THE ACT?⁴²

COMMENTS AND DISCUSSION:

Director Kyle stated that the FCC Report and Order was clear that interconnection agreements negotiated between BellSouth and others, including those executed prior to February 8, 1996, must be submitted to state commissions, as that term is defined and used in the Act, for approval by June 30, 1997.⁴³ Chairman Greer agreed with Director Kyle and stated further that he believed the Act also required such filing and approval at Section 252(a)(1). Both stated concurrence with the principle that the purpose of such a requirement was to assure parity, that the interconnection agreements do not discriminate against a telecommunications carrier which is not a party to the interconnection agreement, and that the interconnection agreements, regardless of when they were executed, are not inconsistent with public interest, convenience, and necessity.

Director Malone dissented from the majority vote for cause as follows: (1) the motion cited only the FCC Report and Order, and (2) his complete review of the Act did not reveal adequate support for the FCC's conclusion in the Report and Order that an incumbent telecommunications provider had to file its interconnection agreements entered into prior to February 8, 1996, with the Authority.

The last sentence in Section 252(a)(1) of the Act provides that "[t]he agreement, including any interconnection agreement negotiated before the date of enactment of the Telecommunications Act of 1996, shall be submitted to the State commission under subsection (e)

⁴² Director Kyle's motion passed by a vote of two to one. Director Malone voted against the motion.

⁴³ See FCC Report and Order, Paragraphs 25 and 58.

of this section." Both the FCC and the majority in this arbitration relied upon this sentence in support of their conclusions that ILECs are required to produce and file all interconnection agreements executed prior to the effective date of the Act. It was Director Malone's opinion that Section 252(a)(1) does not require such action on the part of ILECs. He contended that the captions of Sections 252, 252(a), and 252(a)(1) read in combination with the first sentence of Section 252(a)(1) support the interpretation that the words "The agreement," as stated in the last sentence of Section 252(a)(1), refer only to interconnection agreements entered into under the Act, not agreements entered into prior to the passage of the Act.

Director Malone maintained that Section 252(a)(1) appeared only to require a party that has successfully negotiated an agreement with a specific party under Section 252(a) to file that agreement plus any previously negotiated interconnection agreement between the same parties with the State commission. While he conceded that Section 252(a)(1) could arguably be read to require ILECs to produce and file all interconnection agreements executed prior to the effective date of the Act, Director Malone argued that the former interpretation is, in his opinion, the more reasonable one. Taken in total and in context, Director Malone concluded that Section 252, including Subsections (a), (e) and (h), does not mandate that BellSouth must produce and file all interconnection agreements executed prior to the effective date of the Act with the Authority. He further was of the opinion that the Act did not confer on the FCC the power or authority to require BellSouth to file its interconnection agreements entered into prior to February 8, 1996.

Therefore, the Arbitrators answered the question presented, by a vote of two to one, with Director Malone dissenting, that BellSouth is required to file all of its interconnection

agreements with the Authority by June 30, 1997 for approval and that such interconnection agreements shall be made open to the public for inspection.

ORDERED:

41. That BellSouth is required to file all of its interconnection agreements, including those with other incumbent local exchange carriers and including those executed before February 8, 1996, with the Authority by June 30, 1997 for approval and that such interconnection agreements shall be made open to the public for inspection.

ISSUE 14: ARE THE FOLLOWING ITEMS CONSIDERED TO BE NETWORK ELEMENTS, CAPABILITIES OR FUNCTIONS? IF SO, IS IT TECHNICALLY FEASIBLE FOR BELL SOUTH TO PROVIDE AT&T AND MCI WITH THESE ELEMENTS?

- NETWORK INTERFACE DEVICE
- LOOP DISTRIBUTION
- LOOP CONCENTRATOR/MULTIPLEXER
- LOOP FEEDER
- LOCAL SWITCHING
- OPERATOR SYSTEMS
- DEDICATED TRANSPORT
- COMMON TRANSPORT
- TANDEM SWITCHING
- SIGNALING LINK TRANSPORT
- SIGNAL TRANSFER POINTS
- SERVICE CONTROL POINTS/DATABASES

NOTE: ABOVE IS AT&T'S LIST; MCI'S LIST ALSO INCLUDES:

- MULTIPLEXING/DIGITAL CROSS-CONNECT
- DIRECTORY SERVICE
- SERVICE
- DATA SWITCHING
- AIN CAPABILITIES
- OPERATOR SUPPORT SYSTEMS⁴⁴

COMMENTS AND DISCUSSION:

The Arbitrators and the parties, both working together at the Arbitration Hearing and the Arbitration Conference and independently, refined the list of elements, capabilities, and functions. At the Arbitration Hearing, AT&T and BellSouth announced that they had reached an agreement to obtain a combined "loop" until a *bona fide* request was made for the sub-loop elements: loop distribution, loop concentrator/multiplexer, and the loop feeder. MCI was not in agreement with AT&T and BellSouth as to their settlement of this issue and continued to disagree with BellSouth as to whether it was technically feasible for BellSouth to provide the sub-loop

⁴⁴ Director Malone's motion was seconded by Director Kyle and passed by unanimous vote of the Arbitrators.

elements, loop distribution and the loop concentrator/multiplexer, on an unbundled basis.⁴⁵ In addition, the Arbitrators recognized that, while AT&T and BellSouth defined certain terms such as "dedicated transport" and "common transport" differently, the Arbitrators in rendering a decision herein, were also determining that it is technically feasible to provide the elements as requested by AT&T and MCI. The Arbitrators found that, while AT&T may not have specifically listed all the elements that MCI did in this Issue 14, it had requested all the elements at other places within the AT&T Petition, Joint Issue List, First Supplement to Petition, Common Issues List, and the Unresolved Issues List. Finally, the Arbitrators found that BellSouth had already agreed to provide AT&T and MCI with tandem switching, signaling link transport, signal transfer points, service control points/databases, multiplexing/digital cross-connect, 911 Services, data switching, and operator support systems.

The Arbitrators answered the question presented, by a unanimous vote, as follows: that all of the items listed by AT&T and MCI in Issue 14 are either network elements, capabilities, and/or functions and that it is technically feasible for BellSouth to provide AT&T and MCI with these network elements, capabilities, and/or functions.

ORDERED:

42. That all of the items listed in Issue 14 be, and hereby are, found to be network elements, capabilities, and/or functions.

43. That it is hereby found to be technically feasible for BellSouth to provide AT&T with the network interface device (also called the "NID"),⁴⁶ the loop, local switching,

⁴⁵ See Letter from MCI to the Executive Secretary dated November 8, 1996 as Attachment "A".

⁴⁶ With respect to the NID, AT&T or MCI may either use existing excess capacity on BellSouth's NIDs or ground existing but dormant BellSouth loops and connect directly to BellSouth's NIDs. In such case, the burden of properly grounding BellSouth's loop after disconnection and maintaining such in proper order and safety would be the responsibility of AT&T and MCI. During the Arbitration Hearing, AT&T indicated that it would be willing to

operator systems, dedicated transport, common transport, tandem switching, signal link transport, signal transfer points, service control points/databases, multiplexing/digital cross-connect, directory services, 911 Services, data switching, advanced intelligence network capabilities (also called "AIN"), and operator support systems.

44. That it is hereby found to be technically feasible for BellSouth to provide MCI with the network interface device, loop distribution, the loop concentrator/multiplexer, local switching, operator systems, dedicated transport, common transport, tandem switching, signal link transport, signal transfer points, service control points/databases, multiplexing/digital cross-connect, directory services, 911 Services, data switching, advanced intelligence network capabilities, and operator support systems.

45. That the Final Best Offer proposed by MCI with regard to technical feasibility, attached hereto as Exhibit "E" and made a part hereof by reference, be, and hereby is, approved and adopted by the Arbitrators.

indemnify BellSouth for any damages caused by AT&T relative to the disconnecting and grounding of BellSouth's loop from the NID. If BellSouth desires such indemnification, then both AT&T and MCI must indemnify BellSouth for actual damages caused by AT&T or MCI.

ISSUE 15: SHOULD AT&T AND MCI BE ALLOWED TO COMBINE UNBUNDLED NETWORK ELEMENTS IN ANY MANNER THEY CHOOSE, INCLUDING RECREATING EXISTING BELL SOUTH'S SERVICES?⁴⁷

COMMENTS AND DISCUSSION:

Chairman Greer, in making his motion on Issue 15, expressed concern about allowing AT&T and/or MCI to purchase unbundled elements, rebundle the elements, and offer the same exact service as BellSouth currently offers. In the discussions leading up to the decision in Issue 15, Chairman Greer noted that Section 251(c)(3) of the Act required unbundled access to network elements. Nonetheless, it was his expressed opinion that certain safeguards must be a part of any decision on Issue 15, to prevent the recombining of network elements, capabilities, or functions to recreate an existing BellSouth service. The Arbitrators answered the question presented, by a unanimous vote, as follows: that AT&T and MCI should be allowed to purchase unbundled elements, but may not combine them in any manner they choose. They must combine the unbundled network elements, capabilities, and/or functions to provide a new and/or different service from that being provided by BellSouth. This restriction on rebundling is necessary only until the completion of the FCC's Universal Service and Access Charges proceedings or until BellSouth has entered the interLATA market, whichever occurs first.

ORDERED:

46. That AT&T and MCI be, and hereby are, allowed to purchase unbundled network elements, capabilities, and functions, but may not combine them in any manner they choose. They must combine the unbundled network elements, capabilities, and/or functions to

⁴⁷ Chairman Greer's motion, as amended by Director Malone, was seconded by Director Kyle and was passed by the unanimous vote of the Arbitrators.

provide a new and/or different service from that being provided by BellSouth with the same combination of network elements, capabilities, and functions.

47. That, if BellSouth believes AT&T or MCI to be in violation of the provisions of Paragraph 46, BellSouth may petition the Authority to investigate such violation, and, if necessary and appropriate, to impose the wholesale rate upon the violator.⁴⁸

48. That the requirements expressed in Paragraph 46 shall be in effect until the earlier of the date on which FCC's Universal Service and Access Charges' proceedings are resolved or BellSouth is granted operating authority in the interLATA market.

⁴⁸ The remedy may include other appropriate actions to address a violation as are deemed necessary and appropriate by the Directors at the time of the petition.

ISSUE 16: MUST BELLSOUTH MAKE RIGHTS-OF-WAY AVAILABLE TO AT&T ON TERMS AND CONDITIONS EQUAL TO THAT IT PROVIDES ITSELF?⁴⁹

COMMENTS AND DISCUSSION:

The Arbitrators unanimously answered the question presented as follows: that BellSouth must make rights-of-way available to AT&T and MCI on terms and conditions equal to those that it provides for itself. The Arbitrators found BellSouth's attempt to reserve space for its own use based upon its five (5) year forecast to be unreasonable and discriminatory. The Arbitrators also found that AT&T and MCI should be able to reserve space for construction or expansion projects in the same manner that BellSouth is currently able to reserve space for a certain period of time (an example of ninety (90) days was given by Director Malone). In addition, the Arbitrators stated that the project for which the reservation is made should be completed within a certain period of time as well (again an example was given; this time the example was one hundred eighty (180) days). Failure to complete the project within the specified time frame would cause the reservation to lapse and would also cause the party to be ineligible to request further reservations for a specified period of time (again the example of ninety (90) days was given).

The Arbitrators also found that it was reasonable for BellSouth to reserve space for maintenance, as long as the space was available for use to all occupants of the facility in an emergency. In addition, such space shall not revert back to BellSouth, in a discriminatory manner, for its own use if the space is not used in a specific amount of time.

⁴⁹ Director Malone's motion, as amended by Chairman Greer, was seconded by Chairman Greer and was approved by unanimous vote of the Arbitrators.

Chairman Greer also requested that a joint submission be filed by the parties or a Final Best Offer be submitted in which the parties specify the amount of capacity that can be reserved at any one time as a percentage of the total capacity, recognizing that in some circumstances, where limited capacity remains, a party may be permitted to reserve all remaining capacity.

The parties were ordered to submit language consistent with Director Malone's and Chairman Greer's comments, both as stated in the First Order and in the Transcript of the Arbitration Conference⁵⁰ by November 21, 1996, or, if the parties could not agree on language, to submit separately their Final Best Offers consistent with Director Malone's and Chairman Greer's comments, both as stated in the First Order and in the Transcript of the Arbitration Conference, by Tuesday, November 26, 1996 by 4:30 p.m.

Neither AT&T and BellSouth, nor MCI and BellSouth were able to come to an agreement by November 21, 1996, so each submitted its Final Best Offer on November 26, 1996. On December 3, 1996, the Arbitrators unanimously approved and adopted the Final Best Offer proposed by MCI.⁵¹

ORDERED:

49. That BellSouth be, and hereby is, ordered to make rights-of-way available to AT&T and MCI on terms and conditions equal to those it provides itself.

50. That BellSouth's attempt to reserve space for itself based upon a five (5) year forecast is unreasonable and discriminatory and is therefore rejected.

⁵⁰ See Transcript of Deliberation Proceedings, Volume I B, November 14, 1996, pages 77-81.

⁵¹ Director Malone's motion was seconded by Director Kyle and unanimously approved by the Arbitrators.

51. That the Final Best Offer proposed by MCI with regard to the terms and conditions to be imposed on access to rights-of-way, attached hereto as Exhibit "F" and made a part hereof by reference, be, and hereby is, approved and adopted by the Arbitrators.

ISSUE 19: MUST BELLSOUTH PROVIDE AT&T (AND MCI) WITH ACCESS TO BELLSOUTH'S UNUSED TRANSMISSION MEDIA?⁵²

COMMENTS AND DISCUSSION:

The Arbitrators answered the question presented, by a unanimous vote, as follows: that BellSouth must provide AT&T and MCI with access to its unused transmission media, also known as "dark fiber". In making the motion on Issue 19, Chairman Greer stated that the Act defines network element as "a facility or equipment used in the provision of a telecommunications service"⁵³ and, from that definition, he concluded that dark fiber is a network element and, as such, BellSouth is required to provide requesting carriers with access thereto.

ORDERED:

52. That unused transmission media or "dark fiber" is a network element and BellSouth be, and hereby is, ordered to make it available for resale to AT&T and MCI.

53. That the Final Best Offer proposed by MCI with regard to unused transmission media, attached hereto as pages 5-7 of Exhibit "F" and Exhibit "G" and made a part hereof by reference, be, and hereby is, approved and adopted by the Arbitrators.

⁵² Issues 17 and 18 were withdrawn by the parties from consideration by the Arbitrators because they had both been settled through negotiations. Chairman Greer's motion on Issue 19 was seconded by Director Kyle and was passed by unanimous vote of the Arbitrators.

⁵³ See Act at Section 3 entitled "Definitions" at Paragraph 45.

ISSUE 21: MUST BELL SOUTH PROVIDE COPIES OF RECORDS REGARDING RIGHTS-OF-WAY?⁴⁴

COMMENTS AND DISCUSSION:

Director Malone, in making his motion on Issue 21, noted that the parties did not present any oral testimony on Issue 21 during the Arbitration Hearing, but instead chose to rely upon their limited pre-filed testimony. According to BellSouth's pre-filed testimony, it had "agreed to provide AT&T and MCI with needed information within a reasonable time-frame following such a request," but that BellSouth wanted to retain the right to determine what was "reasonably necessary" on the part of AT&T and MCI to complete the job. The Arbitrators unanimously agreed with Director Malone that BellSouth should not have the discretion to determine what is in its opinion "reasonably necessary to complete the job." The Arbitrators agreed that when BellSouth receives a "legitimate inquiry" for its records regarding rights-of-way, it must make said records available for inspection and copying by AT&T and MCI, subject to "reasonable conditions" to protect "proprietary information." (Even when the records requested are sensitive, BellSouth should take whatever steps are necessary to provide sufficient access for inspection, and where necessary, copying.) Requests from AT&T and MCI should be narrowly tailored to fulfill a legitimate need.

The Arbitrators agreed that the parties should be able to resolve the question presented through a joint submission or the Final Best Offer process. Any joint submission or Final Best Offer, whichever becomes applicable, should, among other things, define or outline what constitutes a "legitimate inquiry," "reasonable conditions," and "proprietary information," as

⁴⁴ Issue 20 was withdrawn from consideration. The motion of Director Malone on Issue 21 was seconded by Chairman Greer and passed by the unanimous vote of the Arbitrators.

those terms were used above. The joint submission or Final Best Offer should also set forth a time period within which BellSouth must comply with a "legitimate inquiry" by AT&T or MCI.

Neither AT&T and BellSouth, nor MCI and BellSouth were able to come to an agreement by November 21, 1996, so each submitted its Final Best Offer on November 26, 1996. On December 3, 1996, the Arbitrators unanimously approved and adopted the Final Best Offer proposed by MCI.

ORDERED:

54. That subject to reasonable conditions to protect proprietary information, BellSouth must provide copies of records regarding rights-of-way when a legitimate inquiry, that is narrowly tailored, is submitted by AT&T or MCI.

55. That BellSouth does not have the discretion of determining what is "reasonably necessary to complete the job."

56. That the Final Best Offer submitted by MCI, attached hereto as Exhibit "H" and made a part hereof by reference, be, and hereby is, approved.

ISSUE 22: MUST APPROPRIATE WHOLESALE RATES FOR BELL SOUTH SERVICES SUBJECT TO RESALE EQUAL BELL SOUTH'S RETAIL RATES LESS ALL DIRECT AND INDIRECT COSTS RELATED TO RETAIL FUNCTIONS? AND

ISSUE 23: WHAT ARE THE APPROPRIATE WHOLESALE RATES FOR BELL SOUTH TO CHARGE WHEN AT&T OR MCI PURCHASES BELL SOUTH'S RETAIL SERVICES FOR RESALE?"

COMMENTS AND DISCUSSION:

The Arbitrators chose to consider Issues 22 and 23 together. The Arbitrators decided, in Docket No. 96-01331, entitled "The Avoidable Costs of Providing Bundled Services for Resale by Local Exchange Telephone Companies," that the appropriate wholesale discount for BellSouth's bundled service is sixteen (16%) percent. The Arbitrators answered the question presented, by a unanimous vote, that the appropriate rate for BellSouth to charge when AT&T or MCI purchases BellSouth's bundled retail services for resale is the retail rate less a wholesale discount of sixteen (16%) percent. Within the context of the Arbitration, by a vote of two to one, with Director Malone dissenting, the Arbitrators also decided to set an additional discount rate for BellSouth retail services of twenty-one and fifty-six one hundredths (21.56%) percent when operator services and directory assistance are not bundled. In setting this additional rate, Chairman Greer noted that unbundling operator services and directory assistance would not change the methodology adopted by the Directors in Docket No. 96-01331 to set the avoided cost discount. It would, however, change the calculation of the avoided cost discount by

⁵⁵ A copy of the Final Order in Docket No. 96-01331 is attached hereto as Attachment "B". In determining the wholesale discount at which local service competitors will be able to purchase services from BellSouth for resale, Chairman Greer made three motions in Docket No. 96-01331 which are described in the Final Order. The first motion dealt with issues grouped in what he called "General Statements." The next motion concerned a second set of issues grouped into what he called the "Accounting Mechanisms" used to determine the wholesale discount. The final motion was the proposed determination of the wholesale discount percentage for BellSouth.

including one hundred (100%) percent of Account 6621 "Call Completion" and Account 6622 "Number Services" as directly avoided expenses. This change would have the approximate additional effect of increasing the amount of total expenses that are directly avoided to eighty-five (85%) percent and the amount of total expenses that are indirectly avoided to twenty and one-half (20.5%) percent. Taking these two changes into consideration increased the proposed discount to twenty-one and fifty-six one hundredths (21.56%) percent.

Director Malone, in expressing his dissenting view, stated that directory assistance was currently a part of basic local service in the State of Tennessee and should not be unbundled for strong policy reasons, namely, that directory assistance should remain bundled until the conclusion of the FCC's Universal Services and Access Charges proceedings. He suggested an additional discount rate of seventeen and sixteen one-hundredths (17.16%) percent when only operator services are unbundled.

ORDERED:

57. That the Arbitrators hereby take official notice of the decisions reached in Docket No. 96-01331, including specifically the methodology used to determine the wholesale discount of sixteen (16%) percent for bundled services and that the wholesale discount for bundled retail services sold by BellSouth be, and hereby is, set at sixteen (16%) percent using said methodology.

58. That the Arbitrators hereby set the wholesale discount for retail services, sold by BellSouth, where operator services and directory assistance are not bundled at twenty-one and fifty six one-hundredths (21.56%) percent.

**ISSUE 24: WHAT SHOULD BE THE PRICE OF EACH OF THE ITEMS
CONSIDERED TO BE NETWORK ELEMENTS, CAPABILITIES, OR
FUNCTIONS?***

COMMENTS AND DISCUSSION:

The Arbitrators found all of the items listed in Issue 14 to be network elements, capabilities, and/or functions and found it to be technically feasible for BellSouth to provide them to AT&T and MCI. In this issue, the Arbitrators considered the prices for each of those elements, capabilities, and/or functions and also handled a part of Issue 25, in that they also set a price for transportation and termination of local traffic. Generally, on November 14, 1996, the Arbitrators answered the question presented, by a unanimous vote, that BellSouth must provide AT&T and MCI with the network interface device, the loop, (except as to MCI for which no price had yet been set for the loop distribution and loop concentrator), local switching, operator systems (and operator support services), dedicated transport, common transport, tandem switching, signaling link transport, signal transfer points, service control points/databases, and directory services at certain proxy prices as shown on Exhibit "I", attached hereto and made a part hereof by reference, until such time as the Authority sets permanent prices. The proxy prices used were based on one of two criteria: existing tariffs where available, with a preference for intrastate tariffs over interstate tariffs; or, where no tariff existed, a price which was logically consistent with the prices submitted by the parties. The Arbitrators also found that the parties had not submitted sufficient evidence to the Arbitrators to allow them to make a decision with regard to the price of selective routing, the advanced intelligence network and mediation devices connected therewith, electronic interfaces, unused transmission media ("dark fiber"), or the loop distribution and loop

* Chairman Greer's motion, as amended and seconded by Director Malone, was passed by unanimous vote of the Arbitrators.

concentrator elements as requested by MCI, therefore the prices for those elements should be submitted in the form of a Final Best Offer.

On December 3, 1996, the Arbitrators voted unanimously to accept the prices submitted by MCI for the loop distribution and loop concentrator elements and for selective routing, the advanced intelligence network and mediation devices connected therewith, and electronic interfaces.⁵⁷

ORDERED:

59. That the proxy prices for the network interface device, the loop, local switching, operator systems (and operator support systems), dedicated transport, common transport, tandem switching, signaling link transport, signal transfer points, service control points/databases, and directory services, be, and hereby are, set as shown on Exhibit "I", attached hereto and made a part hereof by reference.

60. That such proxy prices shall remain in effect until such time as cost studies which comply with the ultimate decision of the Courts on the FCC Report and Order can be completed by the appropriate parties and reviewed by the Authority.

61. That the prices for the loop distribution and loop concentrator elements, as requested by MCI, be, and hereby are, those submitted by MCI as shown on Exhibit "I" in MCI's Table 1.

62. That the prices for selective routing, the advanced intelligence network and mediation devices connected therewith, and electronic interfaces, be, and hereby are, those submitted by MCI as shown on Exhibit "I" in MCI's Table 1.

⁵⁷ Director Malone's motion was seconded by Director Kyle and passed unanimously.

63. That the price for 911 Services be, and hereby is, the retail rate, less the wholesale discount and the price for data switching and multiplexing/digital cross-connects be, and hereby is, the price named by BellSouth, until the time that permanent prices are set.

ISSUE 25: WHAT SHOULD BE THE COMPENSATION MECHANISM FOR THE EXCHANGE OF LOCAL TRAFFIC BETWEEN AT&T OR MCI AND BELLSOUTH?⁵⁸

COMMENTS AND DISCUSSION:

The Arbitrators voted to set a proxy price for the transportation and termination of local traffic. The unanimous vote of the Arbitrators on November 14, 1996 was to set the proxy price for the transportation and termination of traffic at the prices shown on Exhibit "I" hereto. On December 3, 1996, upon the motion of Director Malone, the Arbitrators declined to accept a revision to the definition of the term "local traffic" which was proposed by AT&T in its Final Best Offer.

ORDERED:

64. That the proxy price for the transportation and termination of local traffic be, and hereby is, set as shown on Exhibit "I", attached hereto and made a part hereof by reference.

65. That such proxy price shall remain in effect until such time as cost studies which comply with the ultimate decision of the Courts on the FCC Report and Order can be completed and reviewed by the Authority.

66. That the measurement of local traffic should be conducted by using auditable percent local usage reports to determine the portion of traffic for which local interconnection compensation is due.

⁵⁸ Chairman Greer's motion was seconded by Director Malone and passed by the unanimous vote of the Arbitrators.

67. That the definition of the term "local traffic" proposed by BellSouth in its Final Best Offer, attached hereto as Exhibit "J" and made a part hereof by reference, be, and hereby is, accepted.

ISSUE 26: IS "BILL AND KEEP" AN APPROPRIATE ALTERNATIVE TO THE TERMINATING CARRIER CHARGING TOTAL SERVICE LONG RUN INCREMENTAL COST ("TSLRIC")?⁵⁶

COMMENTS AND DISCUSSION:

Chairman Greer stated, that after reviewing the testimony of all parties, he had concluded that bill and keep was not an appropriate short-term or long-term alternative. BellSouth argued that traffic exchange volumes between itself and its competitors, including AT&T and MCI, are not symmetrical; therefore, the bill and keep arrangement does not provide for mutual and reciprocal compensation. Chairman Greer further noted that without commissioning cost studies, it would be difficult to determine whether mutual and reciprocal compensation existed.

Chairman Greer moved that, in the event that the parties cannot reach an agreed upon billing system for the termination of traffic, each party shall be required to bill one another at the end of each month for the cost of terminating traffic. Chairman Greer commented that bill and keep would be allowed by his motion if the parties agreed. Director Kyle stated that she believed bill and keep to be an appropriate alternative to the terminating carrier charging a TSLRIC rate under any circumstances. Therefore, she voted against the motion. The motion was thus adopted with the favorable votes of Chairman Greer and Director Malone.

ORDERED:

68. That bill and keep is not an appropriate billing mechanism, unless the parties through their individual negotiations agree on the use of bill and keep. Interim prices for transport and termination shall be established according to Issue No. 25 above and billed to one another at the end of each month.

⁵⁶ Chairman Greer's motion, as seconded by Director Malone, was approved by a vote of two to one (with Director Kyle voting no).

ISSUE 27: WHAT IS THE APPROPRIATE PRICE FOR CERTAIN SUPPORT ELEMENTS RELATING TO INTERCONNECTION AND NETWORK ELEMENTS?⁶⁰

COMMENTS AND DISCUSSION:

Director Kyle stated that Issue 27 called upon the Arbitrators to set prices for number portability, rights-of-way, pole attachments, conduit and duct occupancy, collocation, unused transmission media or "dark fiber", and access to advanced intelligent network. AT&T offered no prices and suggested that the Arbitrators require BellSouth to file appropriate cost studies to establish these prices or that the Arbitrators use FCC default prices. Prices were offered by BellSouth to some extent regarding number portability, collocation with reference to Section 20 of BellSouth's FCC Tariff No. 1, and pole attachments through references to existing license agreements.

ORDERED:

69. That the rates for number portability charged to AT&T be set on an interim basis at the same rates as those that have been agreed to by and between MCI and BellSouth. These rates will be in effect until such time as BellSouth files cost studies, which comply with the ultimate decision of the Courts on the FCC Report and Order, and they can be reviewed by the Authority.

70. That the rates charged to AT&T for pole attachments and conduit and duct occupancy be those that adhere to the FCC formula for pole attachments.

71. That the rates charged to AT&T for rights-of-way be the lowest rates negotiated by BellSouth for existing license agreements.

⁶⁰ Director Kyle's motion was seconded by Director Malone and was passed by the unanimous vote of the Arbitrators.

72. That the rates charged to AT&T for collocation be, and hereby are ordered to be the Virtual Expanded Interconnection Service (VEIS) rates tariffed by BellSouth in its FCC Tariff No. 1, Section 20.

73. That the interim proxy rates for collocation services not covered by BellSouth's VEIS tariff shall be the rates on page 15 of Exhibit RCS, as proposed by BellSouth witness Robert Scheye (that exhibit is attached hereto as Exhibit "J" and made a part hereof by reference). These rates will be interim and the cost study methodology will be subject to review and approval by the Authority in conjunction with the studies that are ordered in Issue No. 24.

74. That the Final Best Offer of BellSouth marked by an asterisk attached hereto as Exhibit "K" and made a part hereof by reference be, and hereby is, accepted for dark fiber. These rates will be interim and the cost study methodology will be subject to review and approval by the Authority in conjunction with the studies that are ordered in Issue No. 24.

ISSUE 28: DO THE PROVISIONS OF SECTION 251 AND 252 APPLY TO THE PRICE OF EXCHANGE ACCESS? IF SO, WHAT IS THE APPROPRIATE PRICE FOR EXCHANGE ACCESS?⁶¹

COMMENTS AND DISCUSSION:

Director Malone expressed the opinion that the issue raised in Issue 28, while having merit as one which if answered might foster competition, is presented prematurely. The Arbitrators concluded that the consumers of the State of Tennessee will be served best by a careful and complete consideration of this issue upon the conclusion of the FCC's Universal Service and Access Charge proceedings. At that time, more data will become available to the Arbitrators, in their role as Directors of the Authority, to make an informed and educated decision.

ORDERED:

75. That Issue 28 be tabled until the conclusion of the FCC's Universal Service and Access Charge proceedings.

⁶¹ Chairman Greer seconded Director Malone's motion and the motion was approved by a unanimous vote of the Arbitrators.

**ISSUE 29: WHAT RATES APPLY TO COLLECT, THIRD PARTY, INTRALATA
AND INFORMATION SERVICE PROVIDER CALLS?⁶³**

COMMENTS AND DISCUSSION:

The parties had reached an agreement on how to handle information service provider charges only. The Arbitrators therefore answered the question presented by a unanimous vote: that BellSouth bill its charges to its end-users; and that it bill resold services to AT&T at the appropriate discount for purposes of AT&T billing its end-users for utilizing the resold BellSouth service.

On December 3, 1996, the Arbitrators voted to adopt and approve the Final Best Offer submitted by BellSouth.

ORDERED:

76. That BellSouth bill its charges to its end-users and bill resold services to AT&T at the appropriate discount for purposes of AT&T billing its end users for utilizing the resold BellSouth service.

77. That the Final Best Offer submitted by BellSouth, attached hereto as Exhibit "L" and made a part hereof by reference, be, and hereby is, approved.

⁶³ Chairman Greer's motion was seconded by Director Malone and was approved by the unanimous vote of the Arbitrators.

ISSUE 30: WHAT ARE THE APPROPRIATE GENERAL CONTRACTUAL TERMS AND CONDITIONS THAT SHOULD GOVERN THE ARBITRATION AGREEMENT (E.G. RESOLUTION OF DISPUTES, PERFORMANCE REQUIREMENTS, AND TREATMENT OF CONFIDENTIAL INFORMATION)?

COMMENTS AND DISCUSSION:

By December 3, 1996, the only area of dispute under Issue 30 between AT&T and BellSouth was whether the Interconnection Agreement applied only to BellSouth or to BellSouth and its affiliated companies. AT&T and BellSouth agreed that the Interconnection Agreement would apply to AT&T and its "affiliates" (as those affiliates were delineated on an attachment to the Interconnection Agreement).⁶³ Chairman Greer moved that the Arbitrators select AT&T's Final Best Offer, which was that the Interconnection Agreement should apply to BellSouth and its affiliates. Director Kyle seconded the motion, which passed by the unanimous vote of the Arbitrators.

ORDERED:

78. That the Final Best Offer submitted by AT&T, attached hereto as Exhibit "M" and made a part hereof by reference, be, and hereby is, approved.⁶⁴

⁶³ In defining the term "affiliates" in the Interconnection Agreement, the parties may find guidance in the language offered by AT&T in its "Position Statement for Proposed AT&T Language" on Issue 30.

⁶⁴ On December 20, 1996, BellSouth filed its Motion to Consider BellSouth's Supplemental Filing with Regard to Issue 30 in Docket No. 96-01152. On January 3, 1997, AT&T filed its Response to the Motion. Both documents were received by the Executive Secretary of the Authority, properly distributed to each Arbitrator, and placed in the file kept by the Executive Secretary. Such documents have not become a part of the evidentiary record in Docket No. 96-01152, no action has been taken with regard to the Motion or Response, and no action can be taken by the Arbitrators with respect thereto, because the Directors of the Authority ceased to be Arbitrators for the purpose of rendering decisions in Docket No. 96-01152 on December 4, 1996. This final statement is not intended to imply in any way that the Directors can no longer act as Arbitrators for the purpose of signing this Second AT&T Order.

CONCLUSION

The Arbitrators voted unanimously to require the parties to submit a fully executed Interconnection Agreement thirty (30) days after the entry of the Arbitrators' final order. The Arbitrators conclude that the foregoing Second and Final Order of Arbitration Awards, including the attached exhibits, reflects a resolution of the issues presented by the parties for arbitration at the Arbitration Hearing on October 21, 22 and 23, 1996. The Arbitrators conclude that their resolution of these issues complies with the provisions of the Act, and is supported by the record in this proceeding.

**TENNESSEE REGULATORY AUTHORITY, BY ITS
DIRECTORS ACTING AS ARBITRATORS**


CHAIRMAN LYNN GREER


DIRECTOR SARA KYLE

ATTEST:


EXECUTIVE SECRETARY


DIRECTOR MELVIN MALONE

APPEARANCES: The following appearances were entered at the Arbitration Hearing held on Monday, October 21, 1996 - Wednesday, October 23, 1996 (the "Arbitration Hearing").

Val Sanford, Esquire, and John Knox Walkup, Esquire, Gullett, Sanford, Robinson & Martin, 230 Fourth Avenue, N., 3rd Floor, P.O. Box 198888, Nashville, Tennessee 37219-8888 and James Lamoureux, Esquire, David Kasanow, Esquire, Michael Hopkins, Esquire, and Thomas Lemmer, Esquire, 1200 Peachtree Street, Atlanta, Georgia 30309, appearing on behalf of AT&T Communications of the South Central States, Inc. ("AT&T").

Guy M. Hicks, Esquire, General Counsel-Tennessee, 333 Commerce Street, Suite 2101, Nashville, Tennessee 37201-3300 and William Ellenberg, Esquire, R. Douglas Lackey, Esquire, and Phillip Carver, Esquire, 675 West Peachtree Street, Suite 4300, Atlanta, Georgia 30375-0001, appearing on behalf of BellSouth Telecommunications, Inc. ("BellSouth").

Jon E. Hastings, Esquire, Boulton, Cummings, Connors & Berry, PLC, 414 Union Street, Suite 1600, Nashville, Tennessee 37219 and Michael Henry, Esquire, Senior Counsel, 780 Johnson Ferry Road, Atlanta, Georgia 30875, appearing on behalf of MCI Telecommunications Corporation ("MCI").

Henry Walker, Esquire, Boulton, Cummings, Connors & Berry, PLC, 414 Union Street, Suite 1600, Nashville, Tennessee 37219 and James Falvey, Esquire, 131 National Business Parkway, #100, Annapolis Junction, Maryland 20701, appearing on behalf of American Communications Services, Inc. ("ACSI").

**Issue 1 What Services Provided By BellSouth, If Any, Should Be Excluded
From Resale?**

Part I Local Service Resale

BellSouth's Proposed Language

**25.5 Customer Specific Offerings including Contract Service Arrangements and
Other Customer Specific Offerings ("CSAs")**

BellSouth shall make available to AT&T CSAs for purposes of resale to AT&T's customers. Upon AT&T's identifying to BellSouth a specific CSA, BellSouth shall provide AT&T a copy of that CSA within 10 (ten) business days at AT&T's request.

**Issue 1 What Services Provided By BellSouth, If Any, Should Be Excluded
From Resale?**

Part I Local Service Resale

BellSouth's Proposed Language

25.11.1 Inside Wire Maintenance Service

BellSouth shall provide Inside Wire Maintenance Service for resold services, but the resale discount will not apply.

**Issue 1 What Services Provided By BellSouth, If Any, Should Be Excluded
From Resale?**

Part I Local Service Resale

BellSouth's Proposed Language

**25.10.1 The resale discount will not apply to non-recurring rates of services
available for resale.**

TENNESSEE ISSUE #3
AT&T FINAL BEST OFFER

3. What are the appropriate standards, if any, for performance metrics, service restoration, and quality assurance related to services provided by BellSouth for resale and for network elements provided to AT&T and MCI by BellSouth?

AGREEMENT - GENERAL TERMS AND CONDITIONS

12. Performance Measurement

- 12.1 In providing Services and Elements, BellSouth will provide AT&T with the quality of service BellSouth provides itself and its end-users. BellSouth's performance under this Agreement shall provide AT&T with the capability to meet standards or other measurements that are at least equal to the level that BellSouth provides or is required to provide by law and its own internal procedures. BellSouth shall satisfy all service standards, measurements, and performance requirements set forth in the Agreement and the Direct Measures of Quality ("DMOQs") that are specified in Attachment 12 of this Agreement. In the event that BellSouth demonstrates that the level of performance specified in Attachment 12 of this Agreement are higher than the standards or measurements that BellSouth provides to itself or its end users pursuant to its own internal procedures, BellSouth's own level of performance shall apply.
- 12.2 The Parties acknowledge that the need will arise for changes to the DMOQ's specified in Attachment 12 during the term of this Agreement. Such changes may include the addition or deletion of measurements or a change in the performance standard for any particular metric. The parties agree to review all DMOQ's on a quarterly basis to determine if any changes are appropriate.
- 12.3 The Parties agree to monitor actual performance on a monthly basis and develop a Process Improvement Plan to ~~continually~~ improve quality of service provided as measured by the DMOQs.

ATTACHMENT 4 - PROVISIONING AND ORDERING

- 9.1 AT&T will specify on each order its Desired Due Date (DDD) for completion of that particular order. Standard intervals do not apply to orders under this Agreement. BellSouth will not complete the order prior to DDD or later than DDD unless authorized by AT&T. If the DDD is less than the following element intervals, the order will be considered an "expedited order."

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AT&T FINAL BEST OFFER

INTERVALS FOR ORDER COMPLETION	
Network Element	Number of Days
LD	2
LC	2
LF	2
LS	2
OS	2
DT	
SS	3
SL	2
DB	2
TS	2
C-Loop	2
C-Local Switch Conditioning Combination	20

- 9.2 Within two (2) Business hours after a request from AT&T for an expedited order, BellSouth shall notify AT&T of BellSouth's confirmation to complete, or not complete, the order within the expedited interval. A Business Hour is any hour occurring on a business day between 8 a.m. and 8 p.m. within each respective continental U.S. time zone.
- 9.3 Once an order has been issued by AT&T and AT&T subsequently requires a new DDD that is less than the minimum interval defined, AT&T will issue an "expedited modify order." BellSouth will notify AT&T within two (2) Business Hours of its confirmation to complete, or not complete, the order requesting the new DDD.
- 9.4 AT&T and BellSouth will agree to escalation procedures and contacts. BellSouth shall notify AT&T of any modifications to these contacts within one (1) week of such modifications.

ATTACHMENT 12

1. PERFORMANCE MEASUREMENT

- 1.1 BellSouth, in providing Services and Elements to AT&T pursuant to this Agreement, shall provide AT&T the same quality of service that BellSouth provides itself and its end-users. This attachment includes AT&T's minimum

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AT&T FINAL BEST OFFER

service standards and measurements for those requirements. The Parties have agreed to five (5) categories of DMOQs: (1) Provisioning; (2) Maintenance; (3) Billing (Data Usage and Data Carrier); (4) LDB; and (5) Account Maintenance. Each category of DMOQ includes measurements which focus on timeliness, accuracy and quality. BellSouth shall measure the following activities to meet the goals provided herein.

- 1.2 All DMOQs shall be measured on a monthly basis and shall be reported to AT&T in a mutually agreed upon format which will enable AT&T to compare BellSouth's performance for itself with respect to a specific measure to BellSouth's performance for AT&T for that same specific measure. Separate measurements shall be provided for residential customers and business customers.
- 1.3 DMOQs being measured pursuant to this Agreement shall be reviewed by AT&T and BellSouth quarterly to determine if any additions or changes to the measurements and the standard shall be required or, if process improvements shall be required.

2. PROVISIONING DMOQs

- 2.1 Installation functions performed by BellSouth will meet the following DMOQs:

Desired Due Date 90%

Committed Due Date

Residence: >99% met

Business: >99.5% met

Feature Additions and Changes

(if received by 12pm, provisioned same day) - 99%

Installation Provisioned Correctly in less than five (5) days

Residence: >99% met

Business: >99.5% met

UNE: >99% met

Missed Appointments

Residence: <1%

Business: 0%

Firm Order Confirmation within 24 hours - 99%

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AT&T FINAL BEST OFFER

Notice of reject or error status within 1 hour of receipt - 98%

No trouble reports within 60 days of installation - 99%

3. MAINTENANCE DMOQs

- 3.1** Where an outage has not reached the threshold defining an emergency network outage, the following quality standards shall apply with respect to restoration of Local Service and Network Elements or Combination. Total outages requiring a premises visit by a BellSouth technician that are received between 8 a.m. to 6 p.m. on any day shall be restored within four (4) hours of referral, ninety percent (90%) of the time.

Total outages requiring a premises visit by a BellSouth technician that are received between 6 p.m. and 8 a.m. on any day shall be restored during the following 8 a.m. to 6 p.m. period in accordance with the following performance metric: within four (4) hours of 8 a.m., ninety percent (90%) of the time. Total outages which do not require a premises visit by a BellSouth technician shall be restored within two (2) hours of referral, eighty-five percent (85%) of the time.

- 3.2** Trouble calls (e.g., related to Local Service or Network Element or Combination degradation or feature problems) which have not resulted in total service outage shall be resolved within twenty-four (24) hours of referral, ninety-five percent (95%) of the time, irrespective of whether or not resolution requires a premises visit. For purposes of this Section, Local Service or a Network Element or Combination is considered restored, or a trouble resolved, when the quality of the Local Service or Network Element or Combination is equal to that provided before the outage, or the trouble, occurred.
- 3.3** The BellSouth repair bureau shall provide to AT&T the "estimated time to restore" with at least ninety-seven percent (97%) accuracy.
- 3.4** Repeat trouble reports from the same customer in a 60 days period shall be less than one percent (1%). Repeat trouble reports shall be measured by the number of calls received by the BellSouth repair bureau relating to the same telephone line during the current and previous report months.
- 3.5** BellSouth shall inform AT&T within ten (10) minutes of restoration of Local Service, Network Element, or Combination after an outage has occurred.
- 3.6** If service is provided to AT&T Customers before an Electronic Interface is established between AT&T and BellSouth, AT&T will transmit repair

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AT&T FINAL BEST OFFER

calls to the BellSouth repair bureau by telephone. In such event, the following standards shall apply. The BellSouth repair bureau shall answer its telephone and begin taking information from AT&T within twenty (20) seconds of the first ring, ninety-five percent (95%) of the time. Calls answered by automated response systems, and calls placed on hold, shall be considered not to meet these standards.

4. BILLING (CUSTOMER USAGE DATA)

4.1 File Transfer

BellSouth will initiate and transmit all files error free and without loss of signal.

Metric:

Number of FILES Received

Number of FILES Sent X .100

Notes: All measurement will be a on a rolling period.

Measurement:

Meets Expectations	6 months of file transfers without a failure
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** During the first six (6) months, no rating will be applied.

4.2 Timeliness

BellSouth will mechanically transmit, via CONNECT:Direct, all usage records to AT&T's Message Processing Center three (3) times a day.

Measurement:

Meets Expectations	99.94% of all messages delivered on the day the call was Recorded.
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AT&T FINAL BEST OFFER

4.3 Completeness

BellSouth will provide all required Recorded Usage Data and ensure that it is processed and transmitted within thirty (30) days of the message create date.

Metric:

Total number of Recorded Usage Data records delivered during current month minus Number of Usage Call Records held in error file at the end of the current month

_____X 100
Total number of Recorded Usage Data Records delivered during current month

Measurement:

Criteria

Meets Expectations

≥ 99.99% of all records delivered

4.4 Accuracy

BellSouth will provide Recorded Usage Data in the format and with the content as defined in the current BellCore EMR document.

Metric:

Total Number of Recorded Usage Data Transmitted Correctly
_____X 100
Total Number of Recorded Usage Data Transmitted

Measurement:

Meets Expectations

≥ 99.99% of all recorded records delivered

4.5 Data Packs

BellSouth will transmit to AT&T all packs error free in the format agreed.

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Measurement:

Meets Expectations

6 months of Transmitted
Packs without a rejected
pack

During the first six (6) months, No Rating will be applied.

Notes: All measurements will be on a Rolling Period.

4.6 Recorded Usage Data Accuracy

BellSouth will ensure that the Recorded Usage Data is transmitted to AT&T error free. The level of detail includes, but is not limited to: detail required to Rating the call, Duration of the call, and Correct Originating/Terminating information pertaining to the call. The error is reported to BellSouth as a Modification Request (MR). Performance is to be measured at 2 levels defined below. AT&T will identify the priority of the MR at the time of hand off as Severity 1 or Severity 2. The following are AT&T expectations of BellSouth for each:

Measurement:

Severity 1:

Meets Expectations

≥90% of the MR fixed in ≤
24 hours and 100% of the
MR fixed in ≤5 Days

Severity 2:

Meets Expectations

≥90% of the MR fixed in 3
Days and 100% of the MR
fixed in ≤10 Days

4.7 Usage Inquiry Responsiveness

BellSouth will respond to all usage inquiries within twenty-four (24) hours of AT&T's request for information. It is AT&T's expectation to receive continuous status reports until the request for information is

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satisfied.

Measurements:

Rating

Meets Expectations 100% of the Inquires responded to within 24 hours

5. BILLING (CONNECTIVITY BILLING AND RECORDING)

- 5.1** The Parties have agreed to negotiate a pre-bill certification process set forth in Section 12 of Attachment 6. At a minimum the process will include measurement of the following:

Billing Accuracy:

- bill format
- other charges and credits
- minutes of use
- Customer Service Record

Timeliness

- bill Delivery
- service order billing
- late billing notification
- correction/adjustment dollars
- bill period closure cycle time
- minutes of use charges
- customer service record

Customer satisfaction rating

6. LINE INFORMATION DATA BASE (LIDB)

- 6.1** BellSouth shall provide processing time at the LIDB within 1 second for 99% of all messages under normal conditions as defined in the technical reference in Section 13.8.5 of Attachment 2.
- 6.2** BellSouth shall provide 99.9 % of all LIDB queries in a round trip within 2 seconds as defined in the technical reference in Section 13.8.5 of Attachment 2.
- 6.3** Once appropriate data can be derived from LIDB, BellSouth shall measure the following:
- 6.3.1** There shall be at least a 99.9.% reply rate to all query attempts.
- 6.3.2** Queries shall time out at LIDB no more than 0.1% of the time.

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AT&T FINAL BEST OFFER

- 6.3.3 Data in LIDB replies shall have at no more than 2% unexpected data values, for all queries to LIDB.
- 6.3.4 Group troubles shall occur for no more than 1% of all LIDB queries. Group troubles include:
 - 6.3.4.1 Missing Group - When reply is returned "vacant" but there is no active record for the 6-digit NPA-NXX group.
 - 6.3.4.2 Vacant Code - When a 6-digit code is active but is not assigned to any customer on that code.
- 6.3.5 There shall be no defects in LIDB Data Screening of responses.
- 7. ACCOUNT MAINTENANCE
 - 7.1 When notified by a CLEC that an AT&T Customer has switched to CLEC service, BellSouth shall provision the change, and notify AT&T via CONNECT:Direct that the customer has changed to another service provider ("OUTPLOC") within one (1) business day, 100% of the time.
 - 7.2 When notified by AT&T that a customer has changed his/her PIC only from one interexchange carrier to another carrier, BellSouth shall provision the PIC only change and convey the confirmation of the PIC change via the work order completion feed with 100% of the orders contained within one (1) business day.
 - 7.3 If notified by an interexchange carrier using an '01' PIC order record that an AT&T Customer has changed his/her PIC only, BellSouth will reject the order and notify that interexchange carrier a CARE PIC record should be sent to the serving CLEC for processing. 100% of all orders shall be rejected within one (1) business day.

**Issue 4 Must BellSouth Take Financial Responsibility For Its Own Action In
Causing, or its Lack of Action In Preventing, Unbillable or Uncollectible
AT&T Revenue?**

BellSouth's Proposed Language

Attachment 7

6. Recording Failures

6.1 When BellSouth records usage and fails to record messages, regardless of whether AT&T or BellSouth is performing the billing function, BellSouth shall notify AT&T of the amount of estimated AT&T revenue in accordance with section 6.3 of this Attachment. BellSouth shall compensate AT&T for this net loss.

6.1.1 BellSouth shall include the amount of unbillable AT&T revenue that is attributable to failures to record, within the monthly billing statement.

6.2 Lost, Damaged, Destroyed Message Data

6.2.1 When AT&T message data are lost, damaged, or destroyed as a result of BellSouth error or omission when BellSouth is performing the billing and/or recording function, and the data cannot be recovered or resupplied in time for the time period during which messages can be billed according to legal limitations, or such other time periods that may be agreed to by Parties within the limitations of the law, BellSouth shall notify AT&T of the amount of estimated AT&T revenue in accordance with section 6.3 of this Attachment, and BellSouth shall compensate AT&T for the net loss to AT&T.

6.2.2 When AT&T message data are lost, damage, or destroyed as a result of BellSouth error or omission when AT&T is performing the billing and/or recording function, and the data cannot be recovered or resupplied in time for the time period during which messages can be billed according to legal limitations, or such other time periods that may be agreed to by the Parties within the limitations of the law, BellSouth shall notify AT&T of the amount of estimated AT&T revenue in accordance with section 6.3 of this Attachment, and BellSouth shall compensate AT&T for the net loss to AT&T.

6.2.3 BellSouth notify AT&T in advance of the date of monthly billing statement that shall contain such adjustments. BellSouth shall provide sufficient information to allow AT&T to analyze the compensation pay to AT&T as a result of the lost, damaged, or destroyed message data.

6.3 Recording Quality

6.3.1 Material Loss

BellSouth shall review its daily controls to determine if data have been lost. BellSouth shall use the same procedures to determine an AT&T material loss as it uses for itself. The message threshold used by BellSouth to determine a material loss of its own messages will also be used to determine a material loss of AT&T messages. When it is known that there has been a loss, actual message and minute volumes should be reported if possible. Where actual data are not available, a full day shall be estimated for the recording entity as outlined in the paragraph below titled Estimating Volumes. The loss is then determined by subtracting recorded data from the estimated total day business.

**Issue 4 Must BellSouth Take Financial Responsibility For Its Own Action In
Causing, or its Lack of Action In Preventing, Unbillable or Uncollectible
AT&T Revenue?**

BellSouth's Proposed Language

Attachment 9

2.2 The party causing a provisioning, maintenance or signal network routing error that results in uncollectible or unbillable revenues to the other party shall be liable for the amount of the revenues lost by the party unable to bill or collect the revenues less costs that would have been incurred from gaining such revenues. The process for determining the amount of the liability will be as set forth in Attachment 7, section 6 of this Agreement.

2.3 DELETE

Issue 5 Should BellSouth Be Required To Provide Real-Time And Interactive Access Via Electronic Interfaces As Requested By AT&T To Perform The Following: Pre-Service Ordering, Service Trouble Reporting, Service Order Processing And Provisioning, Customer Usage Data Transfer, Local Amount Maintenance?

If This Process Requires The Development Of Additional Capabilities, In What Time-Frame Should They Be Deployed?

What Are The Costs Incurred, And How Should Those Costs Be Recovered?

BellSouth's Contract Language

Attachment 4

3.4 The Confirmation will provide AT&T with the BellSouth order number, the negotiated service due date, telephone /circuit numbers (as applicable to the service), and the BellSouth service representative name and telephone number. Additional specific data may also be provided, if appropriate.

Issue 5

BellSouth's Contract Language

Part 1

28.6.10

28.6.10.1 Until the Electronic Interface is available, BellSouth shall provide Local Carrier Service Center (LCSC) order entry capability to AT&T, Monday through Friday, 8:30 am to 5:00 p.m. BellSouth agrees that it will expand the LCSC hours as required by service order processing demand.

28.6.10.2. DELETE

28.6.10.3 DELETE. See language regarding electronic interfaces in Attachment 15, Electronic Interface.

Issue 5

BellSouth's Contract Language

Attachment 4

2.5

2.5.1 BellSouth shall provide AT&T, twenty-four (24) hours a day, seven (7) days a week, with the capacity of ordering via an electronic interface, except for scheduled electronic interface downtime and mutually agreed in advance electronic interface downtime. Provisioning shall be available during normal business hours. Downtime shall not be scheduled during normal business hours and shall occur during time where systems experience minimal usage. BellSouth shall provide a Single Point of Contact (SPOC) for all ordering and provisioning contacts and order flow involved in the purchase and provisioning of BellSouth's unbundled Elements, Combinations and Resale. BellSouth's SPOC shall provide to AT&T a toll-free nationwide telephone number (operational from 8:30 am to 5:00 p.m., Monday through Friday, within each respective continental U.S. time zone) which will be answered by capable staff trained to answer questions and resolve problems in connection with the ordering and provisioning of Elements or Combinations and resale services.

2.5.2 DELETE. See language regarding electronic interfaces in Attachment 15, Electronic Interfaces.

2.5.3 DELETE. See language regarding electronic interfaces in Attachment 15, Electronic Interfaces.

Issue 5 Should BellSouth Be Required To Provide Real-Time And Interactive Access Via Electronic Interfaces As Requested By AT&T To Perform The Following: Pre-Service Ordering, Service Trouble Reporting, Service Order Processing And Provisioning, Customer Usage Data Transfer, Local Amount Maintenance?

If This Process Requires The Development Of Additional Capabilities, In What Time-Frame Should They Be Deployed?

What Are The Costs Incurred, And How Should Those Costs Be Recovered?

BellSouth's Proposed Language

BellSouth's best and final offer regarding electronic interfaces is contained within Attachment 15, Electronic Interfaces, attached hereto.

Attachment 2

16.8 BellSouth shall provide real time electronic interfaces for transferring and receiving Service Orders and Provisioning data and materials (e.g., access Street Address Guide (SAG) and Telephone Number Assignment database) as specified in Attachment 15.

Issue 5 Should BellSouth Be Required To Provide Real-Time And Interactive Access Via Electronic Interfaces As Requested By AT&T To Perform The Following: Pre-Service Ordering, Service Trouble Reporting, Service Order Processing And Provisioning, Customer Usage Data Transfer, Local Amount Maintenance?

If This Process Requires The Development Of Additional Capabilities, In What Time-Frame Should They Be Deployed?

What Are The Costs Incurred, And How Should Those Costs Be Recovered?

BellSouth's Proposed Language

Attachment 4

5.2(v) BellSouth proposed to delete this section.

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**INTERFACE REQUIREMENTS FOR ORDERING AND PROVISIONING,
MAINTENANCE AND REPAIR AND PRE-ORDERING**

1. PURPOSE

This Attachment 15 sets forth the interface requirements for ordering and provisioning, maintenance and repair and pre-ordering, where AT&T provides service to its customers through resale of Local Services or through the use of unbundled Network Elements and Combinations.

- I. For all Local Services, Network Elements and Combinations ordered under this Agreement, BellSouth will provide AT&T and its customers ordering and provisioning, maintenance, and repair and pre-ordering services within the same level and quality of service available to BellSouth and its customers.

II. USE OF STANDARDS

- A. As described below, AT&T and BellSouth agree to implement each interface based upon existing and evolving industry standards. AT&T's Electronic Interface Specification, upon which this agreement is based, will be periodically updated to reflect such evolving standards.
- B. Where industry standards do not exist, the parties agree to use AT&T's or BST's defined standard, as applicable, except as mutually agreed. In such instances, the parties shall transition the electronic interfaces to industry standards as those standards become available.

III. INTERIM INTERFACES

- A. The parties have agreed upon certain interim interfaces to support Local Services, Network Elements and Combinations including:
- Ordering and Provisioning
 - Maintenance and Repair
 - Pre-Ordering
 - Address Validation
 - Service/Feature Availability
 - Telephone Number Assignment
 - Appointment Scheduling
 - Customer Service Record Requests
- B. The interim interfaces for Ordering and Provisioning for Local Services include a jointly developed Phase 1 Electronic Data Interchange (EDI) interface operating over a value added network provider communications linkage. For BellSouth's Phase 2 EDI interface and for subsequent interim EDI implementations, AT&T agrees to use BellSouth's defined EDI interim

interface. BellSouth is engaged in the integration of this EDI feed into a Mechanized Service Order Generation System. Errors, rejects, jeopardy notices, and in-process provisioning status reports are provided through a combination of telephone calls and facsimile exchanges. The interim interfaces utilize BellSouth's Access Service Request (ASR) process with manual intervention as required for:

- CCS-SS7 Signaling Connections / Access Links
- Line Information DataBase (LIDB) - Validation Service
- 800 Access Ten Digit Screening
- Local Interconnection / Trunking Arrangements
- Operator Services - Directory Assistance and Toll & Assistance
- Unbundled Exchange Access Loop.

C. The interim interfaces for Maintenance and Repair include:

- a) the use of BellSouth's TAFI interface for Plain Old Telephone Service (POTS) when available,
- b) telephonic exchanges between AT&T and BellSouth maintenance and repair work center personnel.

These will be used to accomplish the functions desired to be obtainable over the interface described in section 5 following.

D. The interim interfaces for Pre-Ordering are as follows:

Address Validation - on-line Local Area Network to Local Area Network connectivity to BellSouth's Regional Street Address Guide.

Service/Feature Availability - file transfer download of BellSouth's Products/Services Inventory Management System files via the Network Data Mover Network using Connect:direct.

Telephone Number Assignment - requests for and file transfer download of blocks of numbers reserved for AT&T's use via the Network Data Mover Network using Connect: direct.

Appointment Scheduling - paper standard interval guidelines.

Customer Service Record Requests - three way call between customer, AT&T service representative, and BellSouth Local Service Center representative, or facsimile exchange of customer's Letter of Agency.

1. AT&T acknowledges that BellSouth is developing additional interim interfaces that provide the capability to perform Pre-ordering via a real-time electronic interface using web technology. AT&T has chosen not to use the capability

that will be afforded by these real time electronic interfaces. AT&T's choice to not use these interfaces will not be used against BellSouth in any way.

E. BellSouth and AT&T agree to work together to develop and implement an electronic communication interface that will replace these interim interfaces with the real time electronic interfaces described below. The parties agree to implement such replacement interfaces as soon as practical, but no later than December 31, 1997, unless a later date is mutually agreed upon by the Parties. (For purposes of this attachment Electronic Communication interface defines a machine-to-machine or application-to-application interface and excludes an interface that provides a presentation for manual entry.)

F. The Parties further agree to work collaboratively within the industry to establish and conform to uniform industry standards for electronic interfaces for ordering and provisioning, maintenance and repair and pre-ordering. Neither Party waives any of its rights as participants in industry forums in the implementation of the standards.

IV. ELECTRONIC INTERFACES FOR ORDERING AND PROVISIONING

A. Local Service Resale

1. The exchange of information relating to the ordering and provisioning of local service, when AT&T is the customer of record for the resold service(s), will be based upon the most current interpretations of the American National Standards Institute (ANSI) Accredited Standards Committee (ASC) X12 Standards as documented by the Service Order Subcommittee (SOSC) of the Telecommunications Industry Forum/Electronic Data Interchange (TCIF/EDI) committee. The most current version of the SOSC implementation guideline for EDI is version 6.
2. The information exchange will be forms-based, using Local Service Request (LSR) Form, End User Information Form, and the Resale Service Form developed by the OBF. The SOSC interpretations of the 850, 860, 855, 865, and 977 transactions, in accordance with the OBF forms, will be used to convey, when available and where applicable, all the necessary data to connect, modify or disconnect Local Services of BellSouth that AT&T resells, including the capability to establish directory listings and perform service suspension, denial and restoral. In the absence of SOSC interpretations of the 850, 860, 855, 865, and 977 transactions, both parties agree to use the jointly developed EDI mappings for Phase 1 and BST developed Phase 2 EDI mappings.
3. If the EDI translator of BellSouth detects a syntax error, BellSouth will reject the order using the 977 transaction and indicate to AT&T that the entire order

must be resubmitted. If BellSouth detects that agreed upon data is missing or incorrect, subsequent to the EDI translator processing, BellSouth will reject the AT&T order and indicate the need for AT&T to resubmit the order..

4. AT&T and BellSouth will use an X.400 message standard, until it is replaced with a transaction-based protocol, and a mutually agreeable X.25 or TCP/IP based transport network for exchange of transactions. AT&T and BellSouth will translate ordering and provisioning requests originating in their internal processes into the agreed upon forms and EDI transactions.

5. Both parties agree to complete translations, establish a query-response cycle time commitment, including but not limited to order rejection and firm order confirmation, and proceed to systems readiness testing, as more fully described in Section 7, that will result in a fully operational interface for resale of Local Service.(this is just a place holder to keep paragraph numbering consistent)

6. AT&T and BellSouth agree to adapt the interface based upon evolving standards. Changes to SOSC implementation guidelines, affecting local service ordering, will be implemented based upon a mutually agreeable schedule, but in no case will the time for adoption, including testing of the changes introduced, extend more than 9 months beyond the date of the published release of the TCIF/SOSC standard. This preceding target implementation obligation may be modified by mutual agreement.

B. Unbundled Network Elements

1. AT&T and BellSouth will use two types of orders, an Infrastructure Provisioning order and a Customer Specific Provisioning order, to establish local service capabilities based upon Unbundled Network Element architecture. The Infrastructure Provisioning order notifies BellSouth of the common use Network Elements and Combinations that AT&T will require. For services covered in BellSouth's "OLEC-to-BellSouth Facility Based" guide, this notification will occur through use of an ASR. For services not covered in BellSouth's "OLEC-to-BellSouth Facility Based" guide, this notification will occur through use of an Infrastructure Footprint Form. The Infrastructure Footprint Form, when applicable, and the associated ASR forms (Local Switching, Interoffice Transport, Signaling and Database, Operator Services and DA) order the Network Elements and Combinations used in common (across AT&T retail customers) and identify the geographic area AT&T expects to serve through the Network Elements and Combinations ordered. AT&T and BellSouth may mutually agree to use an alternative format for exchange of Footprint Order related information, provided that the same information content is delivered.

2. For services not covered in BellSouth's "OLEC-to-BellSouth Facility Based" guide, BellSouth will accept the Infrastructure/Footprint Form developed by AT&T, or the mutually agreed upon equivalent format, until such time AT&T and BellSouth agree that the OBF has adopted an acceptable alternative form. In addition, BellSouth will accept a modified version of the Translation Questionnaire (TQ) Form adopted by OBF. The modified TQ will be sent to BellSouth when BellSouth must modify the routing tables for its end offices to accommodate the treatment of customer calling associated with the combination of Network Elements that AT&T is employing to deliver service. AT&T will provide the Infrastructure/Footprint Form and all associated ASR forms.
3. When applicable, BellSouth will accept delivery of the Infrastructure Footprint Form and the modified TQ through the ASR process, including passing of the information over a file transfer network (e.g., Network Data Mover Network) using the CONNECT:direct file transfer product unless another mutually agreeable exchange mechanism is established.
4. AT&T and BellSouth agree to adapt the interface based upon evolving standards. Changes to OBF ASR forms and implementation guidelines, to the extent relevant to ordering and provisioning for Local Services, will be implemented based upon industry standard implementation schedules as set by the Telecommunications Service Ordering Committee of OBF. This preceding target implementation obligation may be modified by mutual agreement.
5. When applicable, the Customer Specific Provisioning order will be based upon OBF LSR forms. The applicable SOSC implementation guidelines described in the prior paragraphs relating to resale of BellSouth retail services also apply to the Customer Specific Provisioning orders.
 - a) Unbundled loops are an exception to this. Currently, BellSouth accepts an ASR form for the ordering of unbundled loops. BellSouth will adopt the LSR as the ordering document within 9 months of the published release of the TCIF/SOSC standard for ordering unbundled loops via EDI.
6. When applicable, BellSouth agrees that the information exchange will be forms-based using the Local Service Request Form, End User Information Form, Loop Service Form (which may ultimately be renamed the Loop Element form) and Port Form (which may ultimately be renamed the Switch Element Form) developed by the OBF. The SOSC interpretation of 850, 860, 855, 865, and 977 transactions, in accordance with the OBF forms, will be used to convey all the necessary data to connect, modify or disconnect BellSouth's customer-specific UNEs employed by AT&T to deliver Local Services. Errors and rejections of orders will be treated as described in the paragraphs relating to resale of BellSouth Local Services. Customer-specific

elements include, but are not limited to, the network interface device, the customer-dedicated portion of the local switch and any combination thereof.

7. AT&T and BellSouth will use an X.400 message standard, until it is replaced by a transaction-based protocol, and a mutually agreeable X.25 or TCP/IP based network to exchange requests. AT&T and BellSouth will translate ordering and provisioning requests originating in their internal processes into the agreed upon forms and EDI transactions. Both parties agree to complete mutually consistent translations, establish a query-response cycle time commitment, including but not limited to order rejection and firm order confirmation, and proceed to systems readiness testing, as more fully described in Section VIII, that will result in a fully operational interface for ordering UNEs within nine months of published release of the approved TCIF/SOSC standard. AT&T and BellSouth agree to adapt the interface based upon evolving standards. Changes to SOSC implementation guidelines, to the extent relevant to local service ordering and provisioning for customer specific Network Elements and Combinations, will be implemented based upon a mutually agreeable schedule, but in no case will the time for adoption, including testing of the changes introduced, extend more than 9 months beyond the date of the published release of the TCIF/SOSC standard. This preceding target implementation obligation may be modified by mutual agreement.

C. Treatment of 860 Messages

1. BellSouth will accept an 860 transaction that contains the complete refresh of the previously provided order information (under the original 850 transaction) simultaneously with the supplemental (new/revised) information from AT&T. This treatment with respect to the 860 transaction will be accepted by both parties until the SOSC explicitly clarifies the information exchanges associated with supplementing orders or AT&T and BellSouth mutually agreed to change the treatment. AT&T and BellSouth will agree upon a mutually acceptable time frame for adapting their internal systems to accommodate any alteration to treatment of the 860 message described in this paragraph. In no event, will the time frame for adaptation extend more than one year past the date the SOSC initiated change or AT&T and BellSouth agreeing to modify the treatment of 860 messages.

V. ELECTRONIC INTERFACES FOR MAINTENANCE AND REPAIR

- A. Maintenance and repair information exchange will be transmitted over the same interface according to the same content definition both for resold BellSouth retail Local Services and for services AT&T provides using a Network Elements or Combinations.

- B. Where technically feasible, AT&T and BellSouth will, for the purpose of exchanging fault management information, establish an electronic bonding interface, based upon ANSI standards T1.227-1995 and T1.228-1995, and Electronic Communication Implementation Committee (ECIC) Trouble Report Format Definition (TRFD) Number 1 as defined in ECIC document ECIC/TRA/95-003, and all standards referenced within those documents. The parties will use and acknowledge a subset of functions currently implemented for reporting access circuit troubles.**
- C. AT&T and BellSouth will exchange requests over a mutually agreeable X.25 based network or if mutually agreeable, a TCP/IP based network may be employed. AT&T and BellSouth will translate maintenance requests or responses originating in their internal processes into the agreed upon attributes and elements. Both parties agree to complete mutually consistent translations, and proceed to systems readiness testing that will result in a fully operational interface for local service delivery by December 31, 1997. AT&T and BellSouth agree to adapt the interface based upon evolving standards. Changes to NOF, ECIC or T1M1 standards, to the extent maintenance and repair functionality for Local Services is affected, will be implemented based upon a mutually agreeable schedule, but in no case will the time for adoption, including testing of the changes introduced, extend more than 9 months beyond the date of final closure and published electronic interface standard by the relevant ATIS committee or subcommittee. This preceding target implementation obligation may be modified by mutual agreement.**

VI. ELECTRONIC INTERFACES FOR PREORDERING

A. Transaction-Based Information Exchange

- 1. Where applicable, the parties agree that preordering information exchange, as defined in section 3.1 preceding, will be transmitted over the same interface according to the same content definition both for resold BellSouth services and for services provided using Network Elements and Combinations.**
- 2. AT&T and BellSouth will establish a transaction-based electronic communications interface according to the AT&T proposed data model for preordering which is based upon the most current version of the SOSC implementation guideline for EDI which is version six (6). Unless BellSouth and AT&T agree to an alternative exchange mechanism by April 1, 1997, then an exchange protocol based upon a subset of CMIP transactions, referred to as EC-Lite, will be used to transport EDI formatted content necessary to perform inquiries for Switch/Feature Availability (on an exception basis when batch feed data is incomplete), Address Verification (on an exception basis when batch feed data is incomplete), Telephone Number Assignment and**

Appointment Scheduling.. AT&T and BellSouth will exchange transactions over a mutually agreeable X.25 or TCP/IP based network.

- 3. AT&T and BellSouth will translate preordering data elements used in their internal processes into the agreed upon forms and EDI. Both parties will complete mutually consistent translations, establish query-response cycle time commitments, including but not limited to notification of message acknowledgments and message rejections, and proceed to systems readiness testing, as covered in more detail in Section VIII, that will result in a fully operational interface for local service delivery.. The implementation date for this interface within 60 days of the date of this agreement as determined by analysis team of BellSouth and AT&T participants. The target implementation date determined by the analysis team may be modified by mutual agreement.**
- 4. AT&T and BellSouth agree to adapt the interface based upon evolving standards. Establishment of or changes to OBF or SOSC EDI implementation guideline related to preordering functionality will be implemented based upon a mutually agreeable schedule, but in no case will the time for adoption, including testing of the changes introduced, extend more than 9 months beyond the date of final closure and published electronic interface standard by the relevant ATIS committee or subcommittee. This preceding target implementation obligation may be modified by mutual agreement.**

B. Batch Data Information Exchange

- 1. BellSouth will accept AT&T's request for an initial batch feeds of Service/Feature Availability and Regional Street Address Guide (or equivalent). At a minimum, this batch feed will include the switch/feature availability information and address information currently provided under the existing "Agreement for Pre-ordering Information" between BellSouth and AT&T..**
- 2. AT&T and BellSouth will establish a mutually agreeable format for the exchange of batch data no later than 90 days following adoption of this agreement. BellSouth will transmit the initial batch feed of the data, relating to the geographic area specified by AT&T. In addition, BellSouth will provide complete refreshes of the data, for the geographic areas cumulatively encompassed by requests from AT&T, on a mutually agreeable monthly schedule. BellSouth will send the initial batch feed and subsequent monthly updates electronically via a file transfer network (e.g., Network Data Mover Network) using the CONNECT:direct file transfer product.**
- 3. AT&T and BellSouth will translate necessary data elements used in their internal processes into mutually agreeable and consistent file formats and**

record layouts. Both parties agree to complete the definition of file formats, record layout and information content by September 30, 1997, and proceed to systems readiness testing that will result in a fully operational interface by December 31, 1997. To the extent that an industry forum, committee or subcommittee, under the auspices of ATIS, establishes guidelines and/or standards relating to the batch information data described above, AT&T and BellSouth agree the standards and/or guidelines will be implemented based upon a mutually agreeable schedule, but in no case will the time for adoption, including testing of the changes introduced, extend more than 9 months beyond the date of final closure and published electronic interface standard by the relevant ATIS committee or subcommittee.. This preceding target implementation obligation may be modified by mutual agreement.

VII. TESTING AND ACCEPTANCE

- A.** AT&T and BellSouth agree that no interface will be considered as operational until end-to-end integrity and load testing, as agreed to in the Joint Implementation Agreement (Section 8), or other mutually acceptable documentation is completed to the satisfaction of both parties. The intent of the end-to-end integrity testing is to establish, through the submission and processing of test cases, that transactions agreed to by AT&T and BellSouth will successfully process, in a timely and accurate manner, through both parties' supporting OSS as well as the interfaces. For transaction-based interfaces, the testing will include the use of mutually agreeable test transactions, designed to represent no less than 85% of the transaction types that AT&T expects to send and receive through the interface undergoing end-to-end testing. In no instance will AT&T hold BellSouth liable for any services, features, or interface functionality which has not been included in an End-to-End test.
- B.** In addition, AT&T and BellSouth will establish a mutually agreeable method, such as an audit process, sufficient to demonstrate that the interfaces established between AT&T and BellSouth have the capability and capacity to exchange busy period transaction volumes reasonably projected to occur during the forward-looking six month period following implementation of the interface. This process must validate that AT&T and BellSouth can accept and process the anticipated busy period load without degradation of overall end-to-end performance of the information exchange delivered to AT&T even when other CLEC transactions are simultaneously processed by BellSouth.
- C.** It is understood by the parties that End-to-End testing and load testing are necessary processes in the implementation of electronic interfaces. In no instance will End-to-End testing or load testing processes be short-cut, expedited, or in any other way jeopardized such that the quality of the production implementation is put at risk. It is understood by the parties that

such testing occurs immediately preceding production implementation of electronic interfaces and that in the event of delays by either party End-to-End testing and load testing will not be expedited solely to meet the time frames outlined in this agreement. This implementation obligation may be modified by mutual agreement.

- D. The results of testing will not be shared with other parties without the written consent of AT&T and BellSouth.

VIII. JOINT IMPLEMENTATION AGREEMENT DEVELOPMENT

AT&T and BellSouth agree to document, within 60 days of approval of this Agreement, a project plan that explicitly identifies all essential activities, sequence and interrelationship of these activities and the target completion dates for each activity identified. The project plan will reflect, on an on-going basis, delivery of target interfaces as discussed and agreed to within each preceding section.

- A. AT&T and BellSouth recognize that the preceding project plans are not sufficient to fully resolve all technical and operational details related to the interfaces described. Therefore, AT&T and BellSouth agree to document the additional technical and operational details in the form of a Joint Implementation Agreement (JIA). The JIA for each interface will become a legally binding addendum to this Agreement. These JIAs may be modified by mutual agreement of the Parties.
- B. AT&T and BellSouth agree to document both a topical outline for the JIAs, and establish a schedule for identifying, discussing, resolving and documenting resolution of issues related to each aspect of the JIA topical outline for each interface discussed in this document. In no case, will either end-to-end integrity testing or load testing begin without both parties mutually agreeing that each interface JIA documents the intended operation of the interface scheduled for testing. By mutual agreement, specific paragraphs or entire sections of the overall Agreement may be identified and documented to serve the purpose described for the Joint Implementation Agreement for specific interfaces. Any issues identified and subsequently resolved through either the end-to-end integrity or load testing processes will be incorporated into the impacted interface JIA within 30 days of issue resolution.

IX. OTHER AGREEMENTS

This Attachment 15 reflects compromises on the part of both AT&T and BellSouth. By accepting this Attachment 15, AT&T does not waive its right to non-discriminatory access to operations support systems of BellSouth beginning January 1, 1997.

UNBUNDLED NETWORK ELEMENTS/DARK FIBER

ISSUES 14 AND 19: The Tennessee Regulatory Authority made a finding that all of the items set forth in Issue 14 , including loop distribution and loop concentrator/multiplexer, are network elements, capabilities and functions and it is technically feasible for BellSouth to provide MCI with all of these elements. The Authority further found that dark fiber is a network element and, as such, BellSouth is required to provide MCI with access to this network element.

The attached language represents the outstanding provisions in the proposed Interconnection Agreement which MCI has presented to BellSouth. As of this date, BellSouth has disagreed with this language. This document represents MCI's best and final offer with respect to language to implement MCI's request regarding loop distribution, loop concentrator/multiplexer and dark fiber. Note: BellSouth disagreed that Loop Feeder was a Network Element; therefore, the designation of Loop Feeder as a Network Element has been struck by MCI in the attached language wherein Loop Feeder is defined.

Attachment III

DISAGREED

4.4.1.1.1 The Loop Concentrator/Multiplexer is the Network Element that:

(1) aggregates lower bit rate or bandwidth signals to higher bit rate or bandwidth signals (multiplexing); (2) disaggregates higher bit rate or bandwidth signals to lower bit rate or bandwidth signals (demultiplexing); (3) aggregates a specified number of signals or channels to fewer channels (concentrating); (4) performs signal conversion, including encoding of signals (e.g., analog to digital and digital to analog signal conversion); and (5) in some instances performs electrical to optical (E/O) conversion.

DISAGREED

4.4.2.1.1 The Loop Feeder ~~is the Network Element that~~ provides connectivity between (1) a Feeder Distribution Interface (FDI) associated with Loop Distribution and a termination point appropriate for the media in a central office, or (2) a Loop Concentrator/Multiplexer provided in a remote terminal and a termination point appropriate for the media in a central office. BST shall provide MCIm physical access to the FDI, and the right to connect, the Loop Feeder to the FDI.

DISAGREED

4.6.1.1 Distribution is a Network Element which provides connectivity between the NID component of Loop Distribution and the terminal block on the subscriber-side of a Feeder Distribution Interface (FDI). The FDI is a device that terminates the Distribution Media and the Loop Feeder, and cross-connects them in order to provide a continuous transmission path between the NID and a telephone company central office. There are three basic types of feeder-distribution connection: (i) multiple (splicing of multiple distribution pairs onto one feeder pair); (ii) dedicated ("home run"); and (iii) interfaced ("cross-connected"). While older plant uses multiple and dedicated approaches, newer plant and all plant that uses DLC or other pair-gain technology necessarily uses the interfaced approach. The feeder-distribution interface (FDI) in the interfaced design makes use of a manual cross-connection, typically housed inside an outside plant device ("green box") or in a vault or manhole.

DISAGREED

2.7 This Attachment describes the initial set of Network Elements which MCIm and BST have identified as of the effective date of this agreement:

Loop
~~Loop Feeder~~
Network Interface Device
Distribution
Local Switching
Operator Systems
Common Transport
Dedicated Transport
Signaling Link Transport
Signaling Transfer Points

Service Control Points/Databases
Tandem Switching
911
Directory Assistance
Dark Fiber
Loop Concentrator/Multiplexer

DISAGREED

10.1.4.2 Inter-office transmission facilities such as optical fiber, dark fiber, copper twisted pair, and coaxial cable;

RIGHTS-OF-WAY, CONDUITS, POLE ATTACHMENTS

ISSUES 16 AND 21: The Tennessee Regulatory Authority made a finding that BellSouth must make rights-of-way available to MCI on terms and conditions equal to that BellSouth provides itself. BellSouth's attempt to reserve space for itself based on a five year forecast is discriminatory. The Authority also made a finding that BellSouth be required to provide copies of records regarding rights-of-way when a legitimate inquiry that is narrowly tailored to fulfill a legitimate need is made by MCI. The Authority had requested that the parties attempt to reach mutual agreement on language to implement these findings and submit language on November 21, 1996. However, MCI and BellSouth were unable to reach agreement.

The attached language represents outstanding provisions in the proposed Interconnection Agreement which MCI has presented to BellSouth. As of this date, BellSouth has disagreed with this language. This document represents MCI's best and final offer with respect to MCI's request for equal access to BellSouth's rights-of-way, conduit and pole attachments, and for access to engineering and other records.

{The attached language also includes provisions associated with MCI's request for dark fiber as a form of unused transmission media. The Authority determined in its findings on Issue 19 that dark fiber was a network element which BellSouth was required to make available to MCI.}

DISAGREED

ATTACHMENT VI

Rights of Way (ROW), Conduits, Pole Attachments

Section 1. Introduction

This attachment sets forth the requirements for Rights of Way, Conduits and Pole Attachments.

Section 2. Definitions

2.1 "Poles, ducts, conduits and ROW" refer to all the physical facilities and legal rights which provide for access to pathways across public and private property. These include poles, pole attachments, ducts, innerducts, conduits, building entrance facilities, building entrance links, equipment rooms, remote terminals, cable vaults, telephone closets, building risers, rights of way, or any other requirements needed to create pathways. These pathways may run over, under, across or through streets, traverse private property, or enter multi-unit buildings. A Right of Way ("ROW") is the right to use the land or other property owned, leased, or controlled by any means by ILEC to place Poles, ducts, conduits and ROW or to provide passage to access such Poles, ducts, conduits and ROW. A ROW may run under, on, or above public or private property (including air space above public or private property) and shall include the right to use discrete space in buildings, building complexes, or other locations.

Section 3. Requirements

3.1 ILEC shall make Poles, duct, conduits and ROW available to MCIm upon receipt of a request for use within the time periods provided in this Attachment VI, providing all information necessary to implement such a use and containing rates, terms and conditions, including, but not limited to, maintenance and use in accordance with this Agreement and at least equal to those which it affords itself, its Affiliates and others. Other users of these facilities, including ILEC, shall not interfere with the availability or use of the facilities by MCIm.

3.2 Within three (3) business days of MCIm's request for any Poles, ducts, conduits, or ROW, ILEC shall provide any information in its possession or available to it regarding the environmental conditions of the Poles, ducts, conduits or ROW route or location including, but not limited to, the existence and condition of asbestos, lead paint, hazardous substance contamination, or radon. Information is considered "available" under this Agreement if it is in ILEC's possession, or the possession of a current or former agent, contractor, employee, lessor, or tenant of ILEC's. If the Poles, ducts, conduits or ROW contain such environmental contamination, making the placement of equipment hazardous, ILEC shall offer alternative Poles, ducts, conduits or ROW for MCIm's consideration. ILEC shall complete an Environmental, Health and Safety Questionnaire for each work location MCIm requests or ILEC suggests as a site to be covered under this Agreement. ILEC shall return the completed questionnaire to MCIm within ten (10) days and shall allow MCIm to perform any environmental site investigations, including, but not limited to, Phase I and Phase II environmental site assessments, as MCIm may deem to be necessary.

3.3 ILEC shall not prevent or delay any third party assignment of ROW to MCIm.

3.4 ILEC shall offer the use of such Poles, ducts, conduits and ROW it has obtained from a third party to MCIm, to the extent such agreement does not prohibit ILEC from granting such rights to MCIm. They shall be offered to MCIm on the same terms as are offered to ILEC.

3.5 ILEC shall provide MCIm equal and non-discriminatory access to Poles, ducts, conduit and ROW and any other pathways on terms and conditions equal to that provided by ILEC to itself or to any other party. Further, ILEC shall not preclude or delay allocation of these facilities to MCIm because of the potential needs of itself or of other parties, except a maintenance spare may be retained as described below.

3.6 ILEC shall not attach, or permit other entities to attach facilities on, within or overlashed to existing MCIm facilities without MCIm's prior written consent.

3.7 ILEC agrees to produce current detailed engineering and other plant records and drawings of Poles, ducts, conduit and ROW, including facility route maps at a city level, as well as cost data, within a reasonable time frame, which in no case shall exceed two (2) business days following MCIm's request for access to such engineering, cost data and other plant records and drawings of additional Poles, ducts, conduits and ROW in selected areas as specified by MCIm. Such information shall be of equal type and quality as that of ILEC's own engineering and operations staff. ILEC shall also allow personnel designated by MCIm to examine such engineering records and drawings at ILEC Central Offices and ILEC Engineering Offices upon two (2) days notice to ILEC.

3.8 ILEC shall provide to MCIm a Single Point of Contact for negotiating all structure lease and ROW agreements.

3.9 ILEC shall provide information regarding the availability and condition of Poles, ducts, conduit and ROW within five (5) business days of MCIm's request if the information then exists in ILEC's records (a records based answer) and ten (10) business days of MCIm's request if ILEC must physically examine the Poles, ducts, conduits and ROW (a field based answer) ("Request"). MCIm shall have the option to be present at the field based survey and ILEC shall provide MCIm at least twenty-four (24) hours notice prior to the start of such field survey. During and after this period, ILEC shall allow MCIm personnel to enter manholes and equipment spaces and view pole structures to inspect such structures in order to confirm usability or assess the condition of the structure. ILEC shall send MCIm a written notice confirming availability pursuant to the Request within such 20 day period ("Confirmation").

3.10 For the period beginning at the time of the Request and ending ninety (90) days following Confirmation, ILEC shall reserve such Poles, ducts, conduit and ROW for MCIm and shall not allow any use thereof by any party, including ILEC. MCIm shall elect whether or not to accept such Poles, ducts, conduit and ROW within such ninety (90) day period. MCIm may accept such facilities by sending written notice to ILEC ("Acceptance").

3.11 After Acceptance by MCIm, MCIm shall have six (6) months to begin attachment and/or installation of its facilities to the Poles, ducts, conduit and ROW or request ILEC to begin make ready or other construction activities. Any such construction, installation or make ready shall

be completed by the end of one (1) year after Acceptance. MCIm shall not be in default of the six (6) month or one (1) year requirement above if such default is caused in any way by any action, inaction or delay on the part of ILEC or its Affiliates or subsidiaries. After Acceptance, ILEC shall complete any work required to be performed by ILEC or any ILEC work requested by MCIm within thirty (30) days of such time the work is required or within thirty (30) days of the time such work is requested by MCIm, whichever time is earlier. MCIm shall begin payment for the use of the Poles, ducts, conduit and ROW upon the earlier of: (i) completion of construction and installation of the facilities and confirmation by appropriate testing methods to be in a condition ready to operate in MCIm's network or (ii) six (6) months after Acceptance.

3.12 ILEC shall relocate and/or make ready existing Poles, ducts, conduit and ROW where necessary and feasible to provide space for MCIm's requirements. Subject to the requirements above, the parties shall endeavor to mutually agree upon the time frame for the completion of such work within five (5) days following MCIm's requests of this work; however, any such work required to be performed by ILEC shall be completed with 30 days, unless otherwise agreed by MCIm in writing.

3.13 MCIm may, at its option, install its facilities on Poles, ducts, conduit and ROW and use MCIm or MCIm designated personnel to attach its equipment to such ILEC Poles, ducts, conduits and ROW.

3.14 ILEC shall provide MCIm space in manholes for racking and storage of cable and other materials as requested by MCIm.

3.15 ILEC shall make available any conduit system with any retired cable from conduit systems or poles to allow for the efficient use of conduit space and pole space. ILEC must expand its facilities, including placement of taller poles or additional conduits, if necessary, to accommodate MCIm's request and shall do so within a reasonable period of time.

3.16 Where ILEC has spare innerducts which are not, at that time, being used for providing its services, ILEC shall offer such ducts for MCIm's use.

3.17 Where a spare inner duct does not exist, ILEC shall allow MCIm to install an inner duct in ILEC conduit.

3.18 Where ILEC has any ownership or other rights to ROW to buildings or building complexes, or within buildings or building complexes, ILEC shall offer to MCIm:

3.18.1 The right to use any spare metallic and fiber optic cabling within the building or building complex;

3.18.2 The right to use any spare metallic and fiber optic cable from the property boundary into the building or building complex;

3.18.3 The right to use any available space owned or controlled by ILEC in the building or building complex to install MCIm equipment and facilities;

3.18.4 Ingress and egress to such space; and

3.18.5 The right to use electrical power at parity with ILEC's rights to such power.

3.19 Whenever ILEC intends to modify or alter any Poles, ducts, conduits or ROW which contains MCIm's facilities, ILEC shall provide written notification of such action to MCIm so that MCIm may have a reasonable opportunity to add to or modify MCIm's facilities. If MCIm adds to or modifies MCIm's facilities according to this paragraph, MCIm shall bear a proportionate share of the costs incurred by ILEC in making such facilities accessible.

3.20 MCIm shall not be required to bear any of the costs of rearranging or replacing its facilities, if such rearrangement or replacement is required as a result of an additional attachment or the modification of an existing attachment sought by any entity other than MCIm, including ILEC.

3.21 ILEC shall maintain the Poles, ducts, conduits and ROW at its sole cost. MCIm shall maintain its own facilities installed within the Poles, ducts, conduits and ROW at its sole cost. In the event of an emergency, ILEC shall begin repair of its facilities containing MCIm's facilities within two (2) hours of notification by MCIm. If ILEC cannot begin repair within such 2-hour period, MCIm may begin such repairs without the presence of ILEC personnel. MCIm may climb poles and enter the manholes, handholes, conduits and equipment spaces containing ILEC's facilities in order to perform such emergency maintenance, but only until such time as qualified personnel of ILEC arrives ready to continue such repairs. For both emergency and non-emergency repairs, MCIm may use spare innerduct or conduits, including the innerduct or conduit designated by ILEC as emergency spare for maintenance purposes; however, MCIm may only use such spare conduit or innerduct for a maximum period of ninety (90) days.

3.22 In the event of a relocation necessitated by a governmental entity exercising the power of eminent domain, when such relocation is not reimbursable, the costs of relocation of the Poles, ducts, conduits and ROW shall be shared as follows: base conduits or poles shall be shared on a pro rata basis by all parties occupying the affected ROW, and each party shall pay its own cost of cable and installation.

Section 4. Unused Transmission Media

4.1 Definitions:

4.1.1 Unused Transmission Media is physical inter-office transmission media (e.g., optical fiber, copper twisted pairs, coaxial cable) which have no lightwave or electronic transmission equipment terminated to such media to operationalize transmission capabilities.

4.1.2 Dark Fiber, one type of unused transmission media, is unused strands of optical fiber. Dark Fiber also includes strands of optical fiber which may or may not have lightwave repeater (regenerator or optical amplifier) equipment interspliced, but which has no line terminating facilities terminated to such strands. Dark Fiber also means unused wavelengths within a fiber strand for purposes of coarse or dense wavelength division multiplexed (WDM) applications. Typical single wavelength transmission involves propagation of optical signals at single wavelengths (1.3 or 1.55 micron wavelengths). In WDM applications, a WDM device is used to combine optical signals at different wavelengths on to a single fiber strand. The combined

signal is then transported over the fiber strand. For coarse WDM applications, one signal each at 1.3 micron and 1.55 micron wavelength are combined. For dense WDM applications, many signals in the vicinity of 1.3 micron wavelength and/or 1.55 micron wavelength are combined. Spare wavelengths on a fiber strand (for coarse or dense WDM) are considered Dark Fiber. Dark Fiber shall meet the following requirements: single mode, with maximum loss of 0.40 dB/km at 1310nm and 0.25 dB/km at 1550nm.

4.2 Requirements

4.2.1 ILEC shall make available Unused Transmission Media to MCIm under an Indefeasible Right of Use or license agreement on terms at least equal to those which it affords itself and its Affiliates, subsidiaries and others.

4.2.2 ILEC shall provide a Single Point of Contact (SPOC) for negotiating all Unused Transmission Media lease agreements.

4.2.3 MCIm may test the quality of the Unused Transmission Media to confirm its usability and performance specifications.

4.2.4 ILEC shall provide to MCIm information regarding the location, availability and performance of Unused Transmission Media within five (5) business days for a records based answer and ten (10) business days for a field based answer, after receiving a request from MCIm ("Request"). Within such time period, ILEC shall send written confirmation of availability of the Unused Transmission Media ("Confirmation"). From the time of the Request to ninety (90) days after Confirmation, ILEC shall reserve such requested Unused Transmission Media for MCIm's use and may not allow any other party to use such media, including ILEC.

4.2.5 ILEC shall make Unused Transmission Media available for MCIm's use within twenty (20) business days after it receives written acceptance from MCIm that the Unused Transmission Media previously reserved by ILEC is wanted for use by MCIm. This includes identification of appropriate connection points (e.g., Light Guide Interconnection (LGX) or splice points) to enable MCIm to connect or splice MCIm provided transmission media (e.g., optical fiber) or equipment to the Unused Transmission Media.

4.2.6 ILEC shall be required to expand or overbuild its network and capacity to accommodate requests under this Attachment

4.3 Requirements Specific to Dark Fiber

4.3.1 MCIm may splice and test Dark Fiber leased from ILEC using MCIm or MCIm designated personnel. ILEC shall provide appropriate interfaces to allow splicing and testing of Dark Fiber. ILEC shall provide an excess cable length of 25 feet minimum (for fiber in underground conduit) to allow the uncoiled fiber to reach from the manhole to a splicing van.

4.3.2 For WDM applications, ILEC shall provide to MCIm an interface to an existing WDM device or allow MCIm to install its own WDM device (where sufficient system loss margins exist or where MCIm provides the necessary loss compensation) to multiplex the traffic at different wavelengths. This applies to both the transmit and receive ends of the Dark Fiber.

4.3.3 Dark Fiber shall meet the following requirements: single mode, with maximum loss of 0.40 dB/km at 1310 nm and 0.25 dB/km at 1550 nm.

UNBUNDLED NETWORK ELEMENTS/DARK FIBER

ISSUES 14 AND 19: The Tennessee Regulatory Authority made a finding that all of the items set forth in Issue 14 , including loop distribution and loop concentrator/multiplexer, are network elements, capabilities and functions and it is technically feasible for BellSouth to provide MCI with all of these elements. The Authority further found that dark fiber is a network element and, as such, BellSouth is required to provide MCI with access to this network element.

The attached language represents the outstanding provisions in the proposed Interconnection Agreement which MCI has presented to BellSouth. As of this date, BellSouth has disagreed with this language. This document represents MCI's best and final offer with respect to language to implement MCI's request regarding loop distribution, loop concentrator/multiplexer and dark fiber. Note: BellSouth disagreed that Loop Feeder was a Network Element; therefore, the designation of Loop Feeder as a Network Element has been struck by MCI in the attached language wherein Loop Feeder is defined.

DISAGREED

4.4.1.1.1 The Loop Concentrator/Multiplexer is the Network Element that:

(1) aggregates lower bit rate or bandwidth signals to higher bit rate or bandwidth signals (multiplexing); (2) disaggregates higher bit rate or bandwidth signals to lower bit rate or bandwidth signals (demultiplexing); (3) aggregates a specified number of signals or channels to fewer channels (concentrating); (4) performs signal conversion, including encoding of signals (e.g., analog to digital and digital to analog signal conversion); and (5) in some instances performs electrical to optical (E/O) conversion.

DISAGREED

4.4.2.1.1 The Loop Feeder ~~is the Network Element that~~ provides connectivity between (1) a Feeder Distribution Interface (FDI) associated with Loop Distribution and a termination point appropriate for the media in a central office, or (2) a Loop Concentrator/Multiplexer provided in a remote terminal and a termination point appropriate for the media in a central office. BST shall provide MCI physical access to the FDI, and the right to connect, the Loop Feeder to the FDI.

DISAGREED

4.6.1.1 Distribution is a Network Element which provides connectivity between the NID component of Loop Distribution and the terminal block on the subscriber-side of a Feeder Distribution Interface (FDI). The FDI is a device that terminates the Distribution Media and the Loop Feeder, and cross-connects them in order to provide a continuous transmission path between the NID and a telephone company central office. There are three basic types of feeder-distribution connection: (i) multiple (splicing of multiple distribution pairs onto one feeder pair); (ii) dedicated ("home run"); and (iii) interfaced ("cross-connected"). While older plant uses multiple and dedicated approaches, newer plant and all plant that uses DLC or other pair-gain technology necessarily uses the interfaced approach. The feeder-distribution interface (FDI) in the interfaced design makes use of a manual cross-connection, typically housed inside an outside plant device ("green box") or in a vault or manhole.

DISAGREED

2.7 This Attachment describes the initial set of Network Elements which MCI and BST have identified as of the effective date of this agreement:

Loop
~~Loop Feeder~~
Network Interface Device
Distribution
Local Switching
Operator Systems
Common Transport
Dedicated Transport
Signaling Link Transport
Signaling Transfer Points

Service Control Points/Databases
Tandem Switching
911
Directory Assistance
Dark Fiber
Loop Concentrator/Multiplexer

DISAGREED

-10.1.4.2 Inter-office transmission facilities such as optical fiber, dark fiber, copper twisted pair, and coaxial cable;

RIGHTS-OF-WAY, CONDUITS, POLE ATTACHMENTS

ISSUES 16 AND 21: The Tennessee Regulatory Authority made a finding that BellSouth must make rights-of-way available to MCI on terms and conditions equal to that BellSouth provides itself. BellSouth's attempt to reserve space for itself based on a five year forecast is discriminatory. The Authority also made a finding that BellSouth be required to provide copies of records regarding rights-of-way when a legitimate inquiry that is narrowly tailored to fulfill a legitimate need is made by MCI. The Authority had requested that the parties attempt to reach mutual agreement on language to implement these findings and submit language on November 21, 1996. However, MCI and BellSouth were unable to reach agreement.

The attached language represents outstanding provisions in the proposed Interconnection Agreement which MCI has presented to BellSouth. As of this date, BellSouth has disagreed with this language. This document represents MCI's best and final offer with respect to MCI's request for equal access to BellSouth's rights-of-way, conduit and pole attachments, and for access to engineering and other records.

{The attached language also includes provisions associated with MCI's request for dark fiber as a form of unused transmission media. The Authority determined in its findings on Issue 19 that dark fiber was a network element which BellSouth was required to make available to MCI.}

DISAGREED

ATTACHMENT VI

Rights of Way (ROW), Conduits, Pole Attachments

Section 1. Introduction

This attachment sets forth the requirements for Rights of Way, Conduits and Pole Attachments.

Section 2. Definitions

2.1 "Poles, ducts, conduits and ROW" refer to all the physical facilities and legal rights which provide for access to pathways across public and private property. These include poles, pole attachments, ducts, innerducts, conduits, building entrance facilities, building entrance links, equipment rooms, remote terminals, cable vaults, telephone closets, building risers, rights of way, or any other requirements needed to create pathways. These pathways may run over, under, across or through streets, traverse private property, or enter multi-unit buildings. A Right of Way ("ROW") is the right to use the land or other property owned, leased, or controlled by any means by ILEC to place Poles, ducts, conduits and ROW or to provide passage to access such Poles, ducts, conduits and ROW. A ROW may run under, on, or above public or private property (including air space above public or private property) and shall include the right to use discrete space in buildings, building complexes, or other locations.

Section 3. Requirements

3.1 ILEC shall make Poles, duct, conduits and ROW available to MCIm upon receipt of a request for use within the time periods provided in this Attachment VI, providing all information necessary to implement such a use and containing rates, terms and conditions, including, but not limited to, maintenance and use in accordance with this Agreement and at least equal to those which it affords itself, its Affiliates and others. Other users of these facilities, including ILEC, shall not interfere with the availability or use of the facilities by MCIm.

3.2 Within three (3) business days of MCIm's request for any Poles, ducts, conduits, or ROW, ILEC shall provide any information in its possession or available to it regarding the environmental conditions of the Poles, ducts, conduits or ROW route or location including, but not limited to, the existence and condition of asbestos, lead paint, hazardous substance contamination, or radon. Information is considered "available" under this Agreement if it is in ILEC's possession, or the possession of a current or former agent, contractor, employee, lessor, or tenant of ILEC's. If the Poles, ducts, conduits or ROW contain such environmental contamination, making the placement of equipment hazardous, ILEC shall offer alternative Poles, ducts, conduits or ROW for MCIm's consideration. ILEC shall complete an Environmental, Health and Safety Questionnaire for each work location MCIm requests or ILEC suggests as a site to be covered under this Agreement. ILEC shall return the completed questionnaire to MCIm within ten (10) days and shall allow MCIm to perform any environmental site investigations, including, but not limited to, Phase I and Phase II environmental site assessments, as MCIm may deem to be necessary.

3.3 ILEC shall not prevent or delay any third party assignment of ROW to MCIm.

3.4 ILEC shall offer the use of such Poles, ducts, conduits and ROW it has obtained from a third party to MCIm, to the extent such agreement does not prohibit ILEC from granting such rights to MCIm. They shall be offered to MCIm on the same terms as are offered to ILEC.

3.5 ILEC shall provide MCIm equal and non-discriminatory access to Poles, ducts, conduit and ROW and any other pathways on terms and conditions equal to that provided by ILEC to itself or to any other party. Further, ILEC shall not preclude or delay allocation of these facilities to MCIm because of the potential needs of itself or of other parties, except a maintenance spare may be retained as described below.

3.6 ILEC shall not attach, or permit other entities to attach facilities on, within or overlashed to existing MCIm facilities without MCIm's prior written consent.

3.7 ILEC agrees to produce current detailed engineering and other plant records and drawings of Poles, ducts, conduit and ROW, including facility route maps at a city level, as well as cost data, within a reasonable time frame, which in no case shall exceed two (2) business days following MCIm's request for access to such engineering, cost data and other plant records and drawings of additional Poles, ducts, conduits and ROW in selected areas as specified by MCIm.

Such information shall be of equal type and quality as that of ILEC's own engineering and operations staff. ILEC shall also allow personnel designated by MCIm to examine such engineering records and drawings at ILEC Central Offices and ILEC Engineering Offices upon two (2) days notice to ILEC.

3.8 ILEC shall provide to MCIm a Single Point of Contact for negotiating all structure lease and ROW agreements.

3.9 ILEC shall provide information regarding the availability and condition of Poles, ducts, conduit and ROW within five (5) business days of MCIm's request if the information then exists in ILEC's records (a records based answer) and ten (10) business days of MCIm's request if ILEC must physically examine the Poles, ducts, conduits and ROW (a field based answer) ("Request"). MCIm shall have the option to be present at the field based survey and ILEC shall provide MCIm at least twenty-four (24) hours notice prior to the start of such field survey. During and after this period, ILEC shall allow MCIm personnel to enter manholes and equipment spaces and view pole structures to inspect such structures in order to confirm usability or assess the condition of the structure. ILEC shall send MCIm a written notice confirming availability pursuant to the Request within such 20 day period ("Confirmation").

3.10 For the period beginning at the time of the Request and ending ninety (90) days following Confirmation, ILEC shall reserve such Poles, ducts, conduit and ROW for MCIm and shall not allow any use thereof by any party, including ILEC. MCIm shall elect whether or not to accept such Poles, ducts, conduit and ROW within such ninety (90) day period. MCIm may accept such facilities by sending written notice to ILEC ("Acceptance").

3.11 After Acceptance by MCIm, MCIm shall have six (6) months to begin attachment and/or installation of its facilities to the Poles, ducts, conduit and ROW or request ILEC to begin make ready or other construction activities. Any such construction, installation or make ready shall

be completed by the end of one (1) year after Acceptance. MCIm shall not be in default of the six (6) month or one (1) year requirement above if such default is caused in any way by any action, inaction or delay on the part of ILEC or its Affiliates or subsidiaries. After Acceptance, ILEC shall complete any work required to be performed by ILEC or any ILEC work requested by MCIm within thirty (30) days of such time the work is required or within thirty (30) days of the time such work is requested by MCIm, whichever time is earlier. MCIm shall begin payment for the use of the Poles, ducts, conduit and ROW upon the earlier of: (i) completion of construction and installation of the facilities and confirmation by appropriate testing methods to be in a condition ready to operate in MCIm's network or (ii) six (6) months after Acceptance.

3.12 ILEC shall relocate and/or make ready existing Poles, ducts, conduit and ROW where necessary and feasible to provide space for MCIm's requirements. Subject to the requirements above, the parties shall endeavor to mutually agree upon the time frame for the completion of such work within five (5) days following MCIm's requests of this work; however, any such work required to be performed by ILEC shall be completed with 30 days, unless otherwise agreed by MCIm in writing.

3.13 MCIm may, at its option, install its facilities on Poles, ducts, conduit and ROW and use MCIm or MCIm designated personnel to attach its equipment to such ILEC Poles, ducts, conduits and ROW.

3.14 ILEC shall provide MCIm space in manholes for racking and storage of cable and other materials as requested by MCIm.

3.15 ILEC shall make available any conduit system with any retired cable from conduit systems or poles to allow for the efficient use of conduit space and pole space. ILEC must expand its facilities, including placement of taller poles or additional conduits, if necessary, to accommodate MCIm's request and shall do so within a reasonable period of time.

3.16 Where ILEC has spare innerducts which are not, at that time, being used for providing its services, ILEC shall offer such ducts for MCIm's use.

3.17 Where a spare inner duct does not exist, ILEC shall allow MCIm to install an inner duct in ILEC conduit.

3.18 Where ILEC has any ownership or other rights to ROW to buildings or building complexes, or within buildings or building complexes, ILEC shall offer to MCIm:

3.18.1 The right to use any spare metallic and fiber optic cabling within the building or building complex;

3.18.2 The right to use any spare metallic and fiber optic cable from the property boundary into the building or building complex;

3.18.3 The right to use any available space owned or controlled by ILEC in the building or building complex to install MCIm equipment and facilities;

3.18.4 Ingress and egress to such space; and

3.18.5 The right to use electrical power at parity with ILEC's rights to such power.

3.19 Whenever ILEC intends to modify or alter any Poles, ducts, conduits or ROW which contains MCI's facilities, ILEC shall provide written notification of such action to MCI so that MCI may have a reasonable opportunity to add to or modify MCI's facilities. If MCI adds to or modifies MCI's facilities according to this paragraph, MCI shall bear a proportionate share of the costs incurred by ILEC in making such facilities accessible.

3.20 MCI shall not be required to bear any of the costs of rearranging or replacing its facilities, if such rearrangement or replacement is required as a result of an additional attachment or the modification of an existing attachment sought by any entity other than MCI, including ILEC.

3.21 ILEC shall maintain the Poles, ducts, conduits and ROW at its sole cost. MCI shall maintain its own facilities installed within the Poles, ducts, conduits and ROW at its sole cost. In the event of an emergency, ILEC shall begin repair of its facilities containing MCI's facilities within two (2) hours of notification by MCI. If ILEC cannot begin repair within such 2-hour period, MCI may begin such repairs without the presence of ILEC personnel. MCI may climb poles and enter the manholes, handholes, conduits and equipment spaces containing ILEC's facilities in order to perform such emergency maintenance, but only until such time as qualified personnel of ILEC arrives ready to continue such repairs. For both emergency and non-emergency repairs, MCI may use spare innerduct or conduits, including the innerduct or conduit designated by ILEC as emergency spare for maintenance purposes; however, MCI may only use such spare conduit or innerduct for a maximum period of ninety (90) days.

3.22 In the event of a relocation necessitated by a governmental entity exercising the power of eminent domain, when such relocation is not reimbursable, the costs of relocation of the Poles, ducts, conduits and ROW shall be shared as follows: base conduits or poles shall be shared on a pro rata basis by all parties occupying the affected ROW, and each party shall pay its own cost of cable and installation.

Section 4. Unused Transmission Media

4.1 Definitions:

4.1.1 Unused Transmission Media is physical inter-office transmission media (e.g., optical fiber, copper twisted pairs, coaxial cable) which have no lightwave or electronic transmission equipment terminated to such media to operationalize transmission capabilities.

4.1.2 Dark Fiber, one type of unused transmission media, is unused strands of optical fiber. Dark Fiber also includes strands of optical fiber which may or may not have lightwave repeater (regenerator or optical amplifier) equipment interspliced, but which has no line terminating facilities terminated to such strands. Dark Fiber also means unused wavelengths within a fiber strand for purposes of coarse or dense wavelength division multiplexed (WDM) applications. Typical single wavelength transmission involves propagation of optical signals at single wavelengths (1.3 or 1.55 micron wavelengths). In WDM applications, a WDM device is used to combine optical signals at different wavelengths on to a single fiber strand. The combined

signal is then transported over the fiber strand. For coarse WDM applications, one signal each at 1.3 micron and 1.55 micron wavelength are combined. For dense WDM applications, many signals in the vicinity of 1.3 micron wavelength and/or 1.55 micron wavelength are combined. Spare wavelengths on a fiber strand (for coarse or dense WDM) are considered Dark Fiber. Dark Fiber shall meet the following requirements: single mode, with maximum loss of 0.40 dB/km at 1310nm and 0.25 dB/km at 1550nm.

4.2 Requirements

4.2.1 ILEC shall make available Unused Transmission Media to MCIm under an Indefeasible Right of Use or license agreement on terms at least equal to those which it affords itself and its Affiliates, subsidiaries and others.

4.2.2 ILEC shall provide a Single Point of Contact (SPOC) for negotiating all Unused Transmission Media lease agreements.

4.2.3 MCIm may test the quality of the Unused Transmission Media to confirm its usability and performance specifications.

4.2.4 ILEC shall provide to MCIm information regarding the location, availability and performance of Unused Transmission Media within five (5) business days for a records based answer and ten (10) business days for a field based answer, after receiving a request from MCIm ("Request"). Within such time period, ILEC shall send written confirmation of availability of the Unused Transmission Media ("Confirmation"). From the time of the Request to ninety (90) days after Confirmation, ILEC shall reserve such requested Unused Transmission Media for MCIm's use and may not allow any other party to use such media, including ILEC.

4.2.5 ILEC shall make Unused Transmission Media available for MCIm's use within twenty (20) business days after it receives written acceptance from MCIm that the Unused Transmission Media previously reserved by ILEC is wanted for use by MCIm. This includes identification of appropriate connection points (e.g., Light Guide Interconnection (LGX) or splice points) to enable MCIm to connect or splice MCIm provided transmission media (e.g., optical fiber) or equipment to the Unused Transmission Media.

4.2.6 ILEC shall be required to expand or overbuild its network and capacity to accommodate requests under this Attachment

4.3 Requirements Specific to Dark Fiber

4.3.1 MCIm may splice and test Dark Fiber leased from ILEC using MCIm or MCIm designated personnel. ILEC shall provide appropriate interfaces to allow splicing and testing of Dark Fiber. ILEC shall provide an excess cable length of 25 feet minimum (for fiber in underground conduit) to allow the uncoiled fiber to reach from the manhole to a splicing van.

4.3.2 For WDM applications, ILEC shall provide to MCIm an interface to an existing WDM device or allow MCIm to install its own WDM device (where sufficient system loss margins exist or where MCIm provides the necessary loss compensation) to multiplex the traffic at different wavelengths. This applies to both the transmit and receive ends of the Dark Fiber.

4.3.3 Dark Fiber shall meet the following requirements: single mode, with maximum loss of 0.40 dB/km at 1310 nm and 0.25 dB/km at 1550 nm.

<u>Element</u>		<u>Recurring Rate</u>
ND	per line, per month	0.56
LOOP COMBINATION		
2W	per loop, per month	18.00
4W	per loop, per month	18.00
BR-ISDN	per loop, per month	18.00
DS-1	per loop, per month	Available through resale until cost study is complete
LOCAL SWITCHING		
Residence	per month, per port	1.90
Business	per month, per port	1.90
PBX	per month, per port	1.90
Rotary	per month, per port	0
Usage	per minute	0.0019
END OFFICE SWITCHING		
LOCAL TERMINATION	per minute	0.0019
COMMON TRANSPORT	per min., per link or term	0.00036
	per minute, per mile	0.00004
DEDICATED TRANSPORT		
DS1 Local Channel	per local channel	133.81
DS1 Interoffice Channel	per facility term	90.00
	per mile	23.00
	per DS0 equivalent, per term	38.37
	per DS0 equivalent, per mile	1.90
Voice Grade Transport	per month	27.00
	per mile (1-8)	1.90
	per mile (9-25)	1.90
	per mile (>25)	1.90
TANDEM SWITCH	per minute	0.000676
SIGNALING LINKS		
A Link	per link, per month	155.00
D Link	per link, per month	Not Available/Pending development of mediation device.
STP		
	ISUP message	0.000023
	TCAP message	0.00005
	port	355.00
	usage surrogate	395.00
SCP		
	signaling message	0
	800 query	0.004
	LIDB query (transport)	0.0003
	LIDB query (validate)	0.038
	AIN database	Not available/Pending development of mediation device.
OPERATOR SERVICES		
Automated Calls	per call	0.15
Operator Handled Calls	per call	0.30
DA	per call	0.25
DA Call Completion	per call	0.12
Intercept	per call	0.15
Busy Line Verification	per call	0.90
Emergency Interrupt	per call	1.95

Interconnection Through the BellSouth Tandem

	Units	Rate	Charge
DS1 Local Channel - AT&T to BST serving office	1	133.81	133.81
DS1 Interoffice Channel - BST serving office to BST Tandem	1	80.00	80.00
Per Channel	7	23.00	161.00
Per Channel, per mile			284.81
DS1 Total			0.001782
DS1 per minute of use, at 216,000 minutes per DS1 per month	1	0.00088	0.000878
Tandem Switching	7	0.00004	0.00028
Common Transport - per mile	1	0.00036	0.00036
Common Transport - Facilities Term.	1	0.0019	0.0019
End Office Switching			0.0050
Total Interconnection Charge per minute			

Direct End Office Interconnection

	Units	Rate	Charge
DS1 Local Channel - AT&T to BST serving office	1	133.81	133.81
DS1 Interoffice Channel - BST serving office to BST Term End Office	1	80.00	80.00
Per Channel	10	23.00	230.00
Per Channel, per mile			453.81
DS1 Total			0.002101
DS1 per minute of use, at 216,000 minutes per DS1 per month	1	0.0019	0.0019
End Office Switching			0.0040
Total Interconnection Charge per minute			

Element**Non-Recurring
Rate**

Trunk Connection OR Local Switching OR Combination

Rates currently tariffed in A4.3.1

Dedicated Transport

DS1 Local Channel	First/Additional	866.97	486.83
DS1 Interoffice Channel	First/Additional	100.49	100.49
Voice Grade	First/Additional	96.00	96.00

Signaling Links

A Link	Each	510.00
D Link	Each	510.00

Signal Control Point**800 DATA BASE**

Reservation Charge, Per 800 number reserved	First/Additional	30.00	0.50
Establishment Charge, Per 800 number established with 800 Number Delivery	First/Additional	67.50	1.50
Establishment Charge, Per 800 number established with POTS Number Delivery	First/Additional	67.50	1.50
Change Charge, Per request	First/Additional	46.50	0.50
Customized Area of Service, Per 800 number	First/Additional	3.00	1.50
Multiple InterLATA Carrier Routing, Per carrier requested, per 800 number	First/Additional	3.50	2.00
Call Handling and Destination Features, Per 800 number	First/Additional	3.00	3.00

LIDB Database	Each	91.00
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AIN Database

Not Available/Pending development of mediation device

PRICING FOR UNBUNDLED ELEMENTS AND RESOLD SERVICES

ISSUES 23, 24, 25 AND 26: The Tennessee Regulatory Authority determined the prices that should be established for unbundled network elements on an interim basis.. The Authority, in rejecting the bill and keep arrangement for terminating local traffic, further determined that compensation for the termination of local traffic should be mutual and reciprocal.

Attached is MCI's proposal which incorporates the Authority's decisions on pricing unbundled network elements and provides that compensation for local traffic exchange should be mutual and reciprocal. The language also incorporates the wholesale discounts established by the Authority for resold services.

The attached language represents the outstanding provisions in the proposed Interconnection Agreement which MCI presented to BellSouth. As of this date, BellSouth has disagreed with this language. This document represents MCI's best and final offer with respect to MCI's request for the pricing of unbundled elements, mutual and reciprocal compensation for the termination of local traffic and the wholesale discounts for resold services. The language in ALL CABS represents modification to MIC's last proposal to BellSouth to comply with the Tennessee Regulatory Authority's First Order of Arbitration Awards in Docket No. 96-01271.

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ATTACHMENT I
PRICE SCHEDULE

1. General Principles

1.1 All rates provided under this Agreement are interim and shall remain in effect until the Commission determines otherwise or unless they are not in accordance with all applicable provisions of the Act, the Rules and Regulations of the FCC, or the Authority's rules and regulations, in which case Part A, Section 2 shall apply.

1.2 Except as otherwise specified in this Agreement, BellSouth shall be responsible for all costs and expenses it incurs in (i) complying with and implementing its obligations under this Agreement, the Act, and the rules, regulations and orders of the FCC and the Authority and (ii) the development, modification, technical installation and maintenance of any systems or other infrastructure which it requires to comply with and to continue complying with its responsibilities and obligations under this Agreement.

2. Non-Discriminatory Treatment

BellSouth shall offer rates to MCI in accordance with Part A, Sections 2.4, 13 and 19.

3. Local Service Resale

The rates that MCI shall pay to BellSouth for Resale shall be an amount equal to Bell South's tariffed rates for each noted element as reduced by a percentage amount equal to the Total Applicable Discount (defined below). If BellSouth reduces such tariffed rates during the term of this Agreement, the Total Applicable Discount shall be applied to the reduced tariffed rates.

3.1 Total Applicable Discount

The Total Applicable Discount FOR THE RESALE OF TELECOMMUNICATIONS SERVICES IN TENNESSEE SHALL BE AS FOLLOWS:

FOR RESOLD SERVICES INCLUDING OPERATOR SERVICES AND DIRECTORY ASSISTANCE - 16%

FOR RESOLD SERVICES WITHOUT OPERATOR SERVICES AND DIRECTORY ASSISTANCE - 21.56%

4. Interconnection and Reciprocal Compensation

4.1 Each party will be responsible for bringing their facilities to the Interconnection Point. MCIIm may designate an IP at any technically feasible point including but not limited to any electronic or manual cross-connect points, collocations, telco closets, entrance facilities, and mid-span meets.

4.2 At the discretion of MCIIm, Interconnection may be accomplished via one-way local trunks, or two-way local trunks, or MCIIm may choose to deliver both local traffic and toll traffic over the same trunk group(s). In the event MCIIm chooses to deliver both types of traffic over the same trunk, and desires application of the Local Interconnection rate, it will provide Percent Local Usage (PLU) to BellSouth.

4.3 Compensation for the exchange of local traffic is set forth in Table 1 of this Attachment and shall be based on per-minutes-of-use.

4.4 When the interconnection is at a BellSouth Tandem switch, MCIIm shall pay BellSouth the rates AS SET FORTH IN TABLE 1 OF THIS ATTACHMENT. BellSouth will pay MCIIm a reciprocal compensation and symmetrical compensation rate.

4.5 MCIIm may choose to establish trunking to any given end office when there is sufficient traffic to route calls directly to such end office. If MCIIm leases one-way trunks from BellSouth, MCIIm will pay the transport charges for dedicated or common transport. For two-way trunks the charges will be shared equally by both parties.

4.6 When the interconnection is at the BellSouth end office, BellSouth will pay MCIIm compensation AS SET FORTH IN TABLE 1 OF THIS ATTACHMENT when BellSouth originated calls are terminated to MCIIm's subscribers. For calls originating on MCIIm's network and terminating to BellSouth subscribers, MCIIm will pay BellSouth THE RATES SET FORTH IN TABLE 1 OF THIS ATTACHMENT..

4.7 Compensation for the termination of toll traffic and the origination of 800/888 traffic between the interconnecting parties shall be based on the applicable access charges in accordance with FCC Rules and Regulations.

4.8 Where a toll call is completed through BellSouth's INP arrangement (e.g., remote call forwarding, flexible DID, etc.) to MCIIm's subscriber, MCIIm shall be entitled to applicable access charges in accordance with FCC Rules and Regulations.

4.9 MCIm shall pay a transit rate as set forth in Table 1 of this Attachment when MCIm uses a BellSouth access tandem to terminate a call to a third party LEC or another LSP. BellSouth shall pay MCIm a transit rate equal to the BellSouth rate referenced above when a BellSouth uses an MCIm switch to terminate a call to a third party LEC or another LSP.

5. Unbundled Network Elements

The charges that MCIm shall pay to BellSouth for Network Elements are set forth in Table 1 of this Attachment I .

6. Volume Discount (INTENTIONALLY LEFT BLANK)

Table 1
TENNESSEE RATES FOR UNBUNDLED NETWORK ELEMENTS
RATES FOR UNBUNDLED ELEMENTS

<u>Element</u>		<u>Recurring Rate</u>
NID	per line, per month	0.56
LOOP COMBINATION		
2w	per loop, per month	18.00
4w	per loop, per month	18.00
BR-ISDN	per loop, per month	18.00
DS-1	per loop, per month	Available through resale until cost study is complete
LOCAL SWITCHING		
Residence	per month, per port	1.90
Business	per month, per port	1.90
PBX	per month, per port	1.90
Rotary	per month, per port	0
Usage	per minute	0.0019
END OFFICE SWITCHING		0.0019
LOCAL TERMINATION	per minute	
COMMON TRANSPORT	per min., per link or term	0.00036
	per minute, per mile	0.00004
DEDICATED TRANSPORT		
DS1 Local Channel	per local channel	133.81
DS1 interoffice Channel	per facility term	90.00
	per mile	23.00
	per DSO equivalent, per term	38.37
	per DSO, equivalent, per mile	1.90
Voice Grade Transport	per month	27.00
	per mile (1-8)	1.90
	per mile (9-25)	1.90
	per mile (>25)	1.90
TANDEM SWITCH	per minute	0.000676
SIGNALING LINKS		
A Link	per link, per month	155.00
D Link	per link, per month	Not Available/pending development of mediation device
STP	ISUP message	0.000023
	TCAP message	0.00005
	port	355.00
	usage surrogate	395.00
SCP	signaling message	0
	800 query	0.0004
	LIDB query (transport)	0.0003
	LIDB query (validate)	0.038
	AIN database	Not available/Pending development of mediation device
OPERATOR SERVICES		
Automated Calls	per call	0.15
Operator Handled Calls	per call	.030 30
DA	per call	0.25
DA Call Completion	per call	0.12
Intercept	per call	0.15
Busy Line Verification	per call	0.90
Emergency Interrupt	per call	1.95

TRANSPORT AND TERMINATION

Interconnection Through the BellSouth Tandem

	<u>Units</u>	<u>Recommended Rate</u>	<u>Charge</u>
DS1 Local Channel - AT&T to BST serving office	1	133.81	133.81
DS1 Interoffice Channel - BST serving office to BST Tandem			
Per Channel	1	90.00	90.00
Per Channel, per mile	7	23.00	<u>161.00</u>
DS1 Total			<u>384.81</u>
DS1 per minute of use, at 216,000 minutes per DS1 per month			0.001782
Tandem Switching	1	0.0007	0.000676
Common Transport - per mile	7	4E-05	0.00028
Common Transport - Facilities Term.	1	0.0004	0.00036
End Office Switching	1	0.0019	<u>0.0019</u>
Total Interconnection Charge per minute			<u>0.0050</u>

Direct End Office Interconnection

	<u>Units</u>	<u>Recommended Rate</u>	<u>Charge</u>
DS1 Local Channel - AT&T to BST serving office	1	133.81	133.81
DS1 Interoffice Channel - BST serving office to BST Term End Office			
Per Channel	1	90.00	90.00
Per Channel, per mile	10	23.00	<u>230.00</u>
DS1 Total			<u>453.81</u>
DS1 per minute of use, at 216,000 minutes per DS1 per month			0.002101
End Office Switching	1	0.0019	<u>0.0019</u>
Total Interconnection Charge per minute			<u>0.0040</u>

RATES FOR UNBUNDLED ELEMENTS

<u>Element</u>	<u>Non-Recurring Rate</u>		
Loop Connection OR Local Switching OR Combination	Rates currently tariffed in A431		
Dedicated Transport			
DS1 Local Channel	First/Additional	866.97	486.83
DS1 Interoffice Channel	First/Additional	100.49	100.49
Voice Grade	First/Additional	96.00	96.00
Signaling Links			
A Link	Each	\$10.00	
D Link	Each	\$10.00	
Signal Control Point			
800 DATA BASE			
Reservation Charge, Per 800 number reserved	First/Additional	30.00	0.50
Establishment Charge, Per 800 number established with 800 Number Delivery	First/Additional	67.50	1.50
Establishment Charge, Per 800 number established with POTS Number Delivery	First/Additional	67.50	1.50
Change Charge, Per request	First/Additional	46.50	0.50
Customized Area of Service, Per 800 number	First/Additional	3.00	1.50
Multiple InterLATA Carrier Routing, Per carrier requested, per 800 number	First/Additional	3.50	2.00
Call Handling and Destination Features, Per 800 number	First/Additional	3.00	3.00
LIDB Database	Each	91.00	
AIN Database			Not Available/Pending development of mediation device

Rates for Negotiated Interconnection

Rate Element	Application/Description	Type of charge	Rate
Application Fee	Applies per arrangement per location	Non recurring	\$ 3,848.30
Space Preparation Fee	Applies for survey and design of space, covers shared building modification costs	Non recurring	ICB ^{*(1)} Will not be less than \$1,788.00
Space Construction Fee	Covers materials and construction of optional cage in 100 square foot increments	Non recurring	\$ 29,744.00 ^{*(2)}
Cable Installation Fee	Applies per entrance cable	Non recurring	\$ 4,650.00
Floor Space	Per square foot, for Zone A and Zone B offices respectively	Monthly Recurring	\$9.31 / \$8.38 ^{*(3)}
Power	Per ampere based on manufacturer's specifications	Monthly Recurring	\$ 5.14 per ampere
Cable Support Structure	Applies per entrance cable	Monthly Recurring	\$13.35 per cable
POT bay	Optional Point of Termination bay; rate is per DS1 / DS3 cross-connect respectively	Monthly Recurring	\$1.20 / \$5.00 ^{*(4)}
Cross-connects	Per DS1 / DS3 respectively	Monthly Recurring	\$ 9.28 / \$ 72.48
Security escort	First and additional half hour increments, per tariff rate in Basic time (B), Overtime (O) and Premium time (P).	As required This is a tariffed charge.	\$41.00 / \$25.00 B \$48.00 / \$30.00 O \$55.00 / \$35.00 P

Note 1: Will be determined at the time of the application based on building and space modification requirements for shared space at the requested C.O.

Note 2: Applies only to collocators who wish to purchase a steel-gauge cage enclosure.

Note 3: See attached list for zone A offices as of May 1996. This list will be amended monthly.

Note 4: Applies when collocator does not supply their own POT bay.

**Issue 27 What Is The Appropriate Price For Certain Support Elements Relating to
Interconnection and Network Elements?**

BellSouth's Proposed Language

Part IV

The attached price list contains the best and final offer for the dark fiber and interim local number portability.

BELLSOUTH - PROPOSED PROXY RATES		
ISSUE 24 - UNBUNDLED NETWORK ELEMENTS		
TENNESSEE		
UNBUNDLED NETWORK ELEMENTS	PROPOSED RATES	
	MONTHLY / RECURRING	NONRECURRING
AIN RELATED SERVICES		
Mediation (1)	Keep Cost plus reasonable contribution	
Service Creation Tools		
PortEdge Service Limited Service Offering (2)		
1. Service Establishment (per state)		
(a) Initial Setup	-	\$ 300.00
2. Service Charge		
(a) AdWatch Service (per wire center)	\$ 4.95	\$ 20.00
(b) DesignEdge Service (per subscriber per state)		\$ 10.00
3. Port Connection		
(a) Dial/Shared Access	-	\$ 150.00
(b) ISDN Access	-	\$ 350.00
4. User Identification Codes		
(a) Per User ID Code	-	\$ 75.00
5. Security Card (per User ID Code)		
(a) Initial or Replacement	-	\$ 70.00
6. Storage		
(a) Per Unit	\$ 1.00	-
7. Session		
(a) Per Minute	\$ 0.03	-
8. Company Performed Session		
(a) Per Minute	\$ 2.00	-
DesignEdge Service Limited Service Offering (2)		
1. Service Establishment Charge (per state)		
(a) Initial Setup	-	\$ 500.00
2. Trigger Access Charge (Per trigger, per DN)		
(a) Terminating Attempt	-	\$ 10.00
(b) Off-hook Delay	-	\$ 10.00
(c) Off-hook Immediate	-	\$ 10.00
(d) 10-digit PODP	\$ 10.00	\$ 15.00
(e) CDP	-	\$ 10.00
(f) Feature Code	-	\$ 10.00
3. Basic Messaging Element Charge		
(a) Per basic messaging element	\$ 0.02	-
4. DesignEdge Type 1 Node Charge (per DesignEdge service subscription)		
(a) Per node, per basic messaging element	\$ 0.005	-
5. SCP Storage Charge (per PortEdge service account)		
(a) Per 100 Kilobytes (or fraction thereof)	\$ 1.00	-
6. DesignEdge service Monthly Report		
(a) Per DesignEdge service subscription	\$ 2.00	\$ 8.00
Notes		
1 This service is under development		
2 Based on existing Florida market rates - rates may vary depending on cost studies that may be performed prior to providing actual service in Tennessee		

BELLSOUTH - PROPOSED PROXY RATES
ISSUE 24 - UNBUNDLED NETWORK ELEMENTS
TENNESSEE

UNBUNDLED NETWORK ELEMENTS	PROPOSED RATES	
	MONTHLY / RECURRING	NONRECURRING
Design Edge Service (Cont'd) (1)		
7. DesignEdge service Special Study		
(a) Per DesignEdge service subscription	-	\$ 10.00
8. DesignEdge service Call Event Report		
(a) Per DesignEdge service subscription	\$ 2.00	\$ 8.00
9. DesignEdge service Call Event Special Study		
(a) Per DesignEdge service subscription	-	\$ 10.00
OLEC DAILY USAGE FILE (ODUF)		
1. Recording Service (only applied to unbundled operator services messages), per message	\$ 0.008	
2. Message Distribution, per message	\$ 0.004	
3. Data Transmission, per message	\$ 0.001	
DARK FIBER (2)		
- Per each four-fiber dry fiber arrangement	-	\$ 1,808.19 - first \$ 922.95 - add'l
- Per each fiber strand per route mile or fraction thereof	\$ 241.00	-
ELECTRONIC INTERFACE	Keep Cost plus reasonable contribution	
LOOP DISTRIBUTION (2W VG) (3)	\$ 14.50	\$ 587.00 - first \$ 255.00 - add'l
LOOP CONCENTRATOR/MULTIPLEXER (used "located inside BST central office" as a proxy)		
1. Unbundled Loop Channelization System (DS1 to VG)	\$ 493.00	\$ 525.00
2. Central Office Channel Interface per circuit or monthly per circuit rate	\$ 1.46 \$ 6.60	\$ 8.00
SELECTIVE ROUTING (4)		
- Line or PBX Trunk, each	\$ 2.90	\$ 22.00

Notes

1. Based on existing Florida market trial rates - rates may vary depending on cost studies that may be performed prior to providing actual service in Tennessee.
2. Rates mirror Dry Fiber rates contained in Sec. 7 of BST's Interstate Access Tariff, FCC No. 1.
3. In addition to the recurring and non-recurring rates for Loop Distribution, BST would utilize its Special Construction process to recover its cost associated with the site preparation work that might be required in those areas where an OLEC wants to connect its feeder plant to BST's distribution element. The estimated costs associated with this work could vary widely from site to site. Therefore, these costs should be borne by the requesting OLEC on a per request basis. Also, BST expects that it will need to modify its ordering, provisioning, maintenance and repair systems, as it becomes technically feasible, in order to accommodate these requests in a fully mechanized mode. These costs, and their recovery mechanism, will need to be considered at the time they are incurred and should be incorporated into any mandated loop distribution offering.
4. Rate base on Customized Code Restriction rates contained in A13 of BST's General Subscriber Tariff and the secondary service ordering rates contained in A4 until costs can be developed.

Bellsouth - Proposed Proxy Rates		
Issue 24 - Unbundled Network Elements		
Tennessee		
Unbundled Network Elements	Proposed Rates	
	Monthly / Recurring	Nonrecurring
LEAD REASSIGNMENT	Keep Cost plus reasonable contribution	
ROUTE INDEX PORTABILITY HUB	Keep Cost plus reasonable contribution	
SERVICE PROVIDER NUMBER PORTABILITY - REMOTE		
1. Rate, per ported number	\$ 1.75	
2. Additional capacity for simultaneous call forwarding, per additional path	\$ 0.75	
3. Rate per order, per end user location		\$ 25.00
SERVICE PROVIDER NUMBER PORTABILITY - DIRECT INWARD DIALED (DID) (1)		
1. Business, per ported number	\$ 0.01	\$ 1.00
2. Residence, per ported number	\$ 0.01	\$ 1.00
3. Rate per order, per end user location		\$ 25.00
4. SPNP-DID Trunk Termination, per trunk	\$ 13.00	\$ 164.00 - first \$ 83.00 - add'l
5. DS1 Local Channel, per Local Channel (2)	\$ 133.81	\$ 866.97 - first \$ 486.83 - add'l
6. DS1 Dedicated Transport (2)		
- Per mile	\$ 23.50	
- Per facility termination	\$ 90.00	\$ 100.49
Notes		
1. Rates are displayed at the DS1-1.544 Mbps level		
2. May not be required if the OLEC is collocated at the ported number end office		

Issue 29 What rates apply to collect third party, intraLATA and information service provider calls?

BellSouth's Proposed Language

Attachment 7

9.1 Definitions

Outcollect Message - A message that originates on an AT&T line that is provided via telecommunications services purchased for resale but bills, using BellSouth's rates, to an end-user served by another Local Service Provider.

For facilities-based purposes, an outcollect message is a message that originates on an AT&T line where AT&T is providing the facilities, but bills, using AT&T's rates, to an end-user served by another Local Service Provider.

TENNESSEE ISSUE #30
AT&T FINAL BEST OFFER

30. What are the appropriate general contractual terms and conditions that should govern the arbitration agreement (e.g., resolution of disputes, performance requirements, and treatment of confidential information)?

AGREEMENT - PREFACE

DISAGREE (Only as to Inclusion of BellSouth Affiliates)

AT&T Proposed Language - This Agreement, which shall become effective as of the ____ day of _____, 1996, is entered into by and between AT&T Corp., a New York Corporation, having an office at 295 North Maple Avenue, Basking Ridge, New Jersey 07920, on behalf of itself, and its Affiliates, as delineated in Attachment ____ (individually and collectively "AT&T"), and BellSouth Telecommunications, Inc. ("BellSouth"), a Georgia corporation, having an office at 675 West Peachtree Street, Atlanta, Georgia, 30375, on behalf of itself, and its Affiliates.

BellSouth Proposed Language - This Agreement, which shall become effective as of the ____ day of _____, 1996, is entered into by and between AT&T Corp., a New York Corporation, having an office at 295 North Maple Avenue, Basking Ridge, New Jersey 07920, on behalf of itself, and its Affiliates, as delineated in Attachment ____ (individually and collectively "AT&T"), and BellSouth Telecommunications, Inc. ("BellSouth"), a Georgia corporation, having an office at 675 West Peachtree Street, Atlanta, Georgia, 30375.

REC'D IN
REG. CLERK AUTH.

NOV 8 PM 4 22

JON E. HASTINGS
(615) 252-2306

Email: jhastings@tcrb.com

EXECUTIVE SECRETARY

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November 8, 1996

PLEASE

DO NOT REMOVE

Mr. David Waddell
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: Petition by MCI Telecommunications Corporation for Arbitration of
Certain Terms and Conditions of a Proposed Agreement with BellSouth
Telecommunications, Inc. Concerning Interconnection and Resale Under
the Telecommunications Act of 1996
Docket No. 96-01271

Dear Mr. Waddell:

This correspondence will clarify that previous correspondence delivered to you on November 5, 1996. MCI Telecommunications Corporation ("MCI") has reviewed the joint submission by BellSouth and AT&T dated November 4, 1996 in response to Dr. Chris Klein's request for information during the arbitration, as reflected in the November 1, 1996 Notice of the Tennessee Regulatory Authority. MCI concurs in that filing with the following additions.

At the Arbitration hearing, AT&T dropped their specific request for sub-loop unbundling and indicated that they would request further sub-loop unbundling on a Bona Fide Request basis. MCI maintains its request for certain sub-loop unbundled elements - loop distribution and loop concentration.

As contained in Exhibit 4 of the testimony of Don Wood filed in the Arbitration, the prices that MCI requests for these elements are as follows:

Loop Distribution - \$9.79/month, inclusive of the Network Interface device and \$9.23/month, exclusive of the Network Interface Device.

Loop Concentration - \$2.73/month.

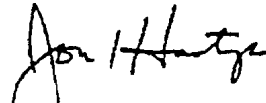
Mr. David Waddell
November 8, 1996
Page 2

BellSouth's position appears to be that it is not technically feasible to provide these elements on an unbundled basis due to the fact that the operational support systems will not support such unbundling. As a result, there is no BellSouth proposed price.

With regard to tandem switching, MCI has proposed a price of \$.0032/mou, as contained in Exhibit 4 which is in contrast to AT&T's proposal of \$.0015/mou and BellSouth's proposal of \$.00074/mou. Based on the disparity between the proposals of MCI/AT&T and BellSouth, this price comparison may not be on a comparable element basis.

Sincerely yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC



Jon E. Hastings

JEH/sja

cc: All Parties of Record
Dr. Chris Klein

BEFORE THE TENNESSEE REGULATORY AUTHORITY

FINAL ORDER IN DOCKET NO. 96-01331

**THE AVOIDABLE COSTS OF
PROVIDING BUNDLED SERVICE FOR RESALE
BY
LOCAL EXCHANGE TELEPHONE COMPANIES**

BEFORE THE TENNESSEE REGULATORY AUTHORITY

January 17, 1997

Nashville, Tennessee

**IN RE: THE AVOIDABLE COSTS OF PROVIDING BUNDLED SERVICE FOR
RESALE BY LOCAL EXCHANGE TELEPHONE COMPANIES**

FINAL ORDER IN DOCKET NO. 96-01331

I. INTRODUCTION:

A properly convened hearing (the "Avoidable Costs Hearing") was held in the above-captioned matter on Monday, September 30, 1996, and continuing until Wednesday, October 2, 1996, in the hearing room of the Tennessee Regulatory Authority (the "Authority"), 460 James Robertson Parkway, Nashville, Tennessee before Chairman Lynn Greer, Director Melvin Malone, and Director Sara Kyle. The Avoidable Costs Hearing was open to the public at all times.¹

The purpose of the Avoidable Costs Hearing was to hear oral testimony on the issues to be decided in Docket No. 96-01331. At the Status Conference in this matter held on Wednesday, August 28, 1996, and the Pre-Hearing Conferences held in connection with this matter on September 5, 1996 and September 11, 1996, the Directors and the parties determined and agreed that the issues to be decided in Docket No. 96-01331 were 1) what are the appropriate wholesale rates for BellSouth or Sprint-United to charge when Local Service Competitors purchase BellSouth's or Sprint-United's retail services for resale? and 2) must appropriate wholesale rates for BellSouth's and/or Sprint-United's services subject to resale equal

¹ The appearances entered at the Avoidable Costs Hearing are recorded on the last page of the order.

BellSouth's or Sprint-United's retail rates, less all direct and indirect costs related to retail functions?

On Thursday, November 14, 1996, a properly convened conference was held in this matter in the hearing room of the Authority in order to allow the Directors to deliberate and reach a determination of the issues presented in Docket No. 96-01331 (the "Avoidable Costs Conference"). The Avoidable Costs Conference was open to the public at all times.²

II. APPLICABLE LAW AND THE PURPOSE OF THE AVOIDABLE COSTS PROCEEDING:

A. LAWS OF THE STATE OF TENNESSEE-

In 1995, the General Assembly of the State of Tennessee enacted Public Chapter 408 in order to encourage the development of "an efficient, technologically advanced, statewide system of telecommunications services by permitting competition in all telecommunications markets, and by permitting alternative forms of regulation for telecommunications services and telecommunications services providers." (Section 1 of Public Chapter 408 of the Acts of 1995, codified as T.C.A. § 65-4-123 entitled "Declaration of telecommunications services policy"). Under Section 8 of Public Chapter 408 of the Acts of 1995, codified as T.C.A. § 65-4-124 entitled "Administrative Rules", the Authority is required in T.C.A. § 65-4-124(b) to "promulgate rules and issue such orders as necessary to implement the requirements of [T.C.A. § 65-4-124(a)] and to provide for unbundling of service elements and functions, terms for resale, interLATA presubscription, number portability, and packaging of a basic local exchange telephone service or unbundled features or functions with services of other providers." T.C.A. § 65-4-124(a) states

² The Avoidable Costs Hearing, the Avoidable Costs Conference, and all other open meetings held by the Authority in connection with Docket No. 96-01331 are hereinafter sometimes collectively referred to as the "Avoidable Costs Proceeding."

that "[a]ll telecommunications services providers shall provide non-discriminatory interconnection to their public networks under reasonable terms and conditions; and all telecommunications providers shall, to the extent that it is technically and financially feasible, be provided desired features, functions and services promptly, and on an unbundled and non-discriminatory basis from all other telecommunications services providers."

The Authority commenced Docket No. 96-01331³ as part of its duty to facilitate the implementation of the State of Tennessee's telecommunications services policy and to promulgate rules and issue orders as necessary to implement the requirements of T.C.A. § 65-4-124(a).

B. FEDERAL LAWS-

In 1996, the Federal Telecommunications Act of 1996 (the "Act") was passed, signed into law, and became effective and the Federal Communications Commission (the "FCC") issued its First Report and Order in CC Docket No. 96-98, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996. Pursuant to Section 251(c)(4) of the Act, incumbent local exchange carriers are required "to offer for resale at wholesale rates any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers....." Issues arising out of this Section of the Act, including the two issues raised in this Docket No. 96-01331, were presented to the Directors, acting as Arbitrators pursuant to the Act, as a part of the arbitration proceedings between AT&T

³ The Tennessee Public Service Commission opened Docket No. 96-00067 at the beginning of 1996. Docket No. 96-00067 was also entitled "The Avoidable Costs of Providing Bundled Services for Resale by Local Exchange Telephone Companies" and was opened for the purpose of satisfying the requirements of T.C.A. § 65-4-124(b). Docket No. 96-00067 was not recommenced before the Authority because the parties thereto failed to stipulate that the record in Docket No. 96-00067 could be transferred to the Authority after the Tennessee Public Service Commission ceased to exist on June 30, 1996.

and BellSouth in Docket No. 96-01152 and the arbitration proceedings between MCI and BellSouth in Docket No. 96-01271. Therefore, it was agreed that the record presented in this Docket No. 96-01331 was to be made a part of the record in Docket No. 96-01152 and Docket No. 96-01271 as well and that the decisions reached in the Avoidable Costs Proceeding would be recognized and adopted as part of the decisions in the arbitrations.

III. DISCUSSION:

In order to reach the appropriate wholesale rates for BellSouth and/or Sprint-United to charge when the Local Service Competitors (and all other local service competitors) purchase resale services from BellSouth and Sprint-United for resale, the Directors followed a three step process. First, they made a series of general decisions, second, a series of decisions to establish the accounting mechanism, and third, they calculated and approved a wholesale discount.

The general decisions were that one wholesale discount should apply to all services subject to resale. in other words, there should not be a different rate for residential, business, or other categories. that the wholesale discount was to be a set percentage off the tariffed rates, not a fixed dollar amount, and that the services subject to resale were bundled services and include operator services and directory assistance.

In order to establish the accounting mechanisms, the Directors found that the wholesale discount percentage should be based on (Tennessee) intrastate revenues and expenses⁴; that the expenses in Accounts 6611, 6612, 6613, and 6623 are directly avoided; that, for BellSouth, approximately eighty (80%) percent of the expenses in the accounts named directly above are avoided; that, for Sprint-United, approximately eighty-three and one half (83.5%)

⁴ Chairman Greer, in making his motion on this matter, stated that it was appropriate for the Authority to base its decisions in Docket No. 96-01331 on expenses and revenues incurred and generated in Tennessee because that was the State over which it had jurisdiction.

percent of the expenses in the accounts named directly above are avoided; that the expenses in Accounts 6121, 6122, 6123, 6124, 6711, 6712, 6721, 6722, 6723, 6724, 6725, 6726, 6727, and 6728 are indirectly avoided; that the percentage of indirect expenses avoided is calculated as a ratio of directly avoided expenses to total direct expenses; that, for BellSouth, approximately fifteen (15%) percent of the expenses in the accounts named in the indirect category are avoided; that, for Sprint-United, approximately twelve and sixty one-hundredths (12.60%) percent of the expenses in the accounts named in the indirect category are avoided; that "Uncollectible Revenues" recorded in Account 5301 are treated as indirect expenses and are avoided at one hundred (100%) percent; and that the wholesale discount shall be calculated as a ratio of total avoided expenses to total operating expenses.

Finally, based upon the method of calculating the wholesale discount as the ratio of total avoided expenses to total operating expenses, the Directors found that the wholesale discount for BellSouth should be sixteen (16%) percent and for Sprint-United should be twelve and seventy one-hundredths (12.70%) percent.

Based upon the entire record in Docket No. 96-01331 and the applicable federal and state laws, the Authority reached the conclusions set forth below:

IT IS THEREFORE ORDERED:

1. That one wholesale discount shall apply to all services subject to resale⁵; and

⁵ Several parties advocated the adoption of more than one discount rate for each incumbent local exchange company. The Authority did not adopt this position. As examples of testimony supporting the approach taken by the Authority, see Transcript of Tennessee Regulatory Hearing, Volume IV, Tuesday, October 1, 1996, page 110, lines 6-11, testimony of Patricia A. McFarland, witness for AT&T; Transcript of Tennessee Regulatory Hearing, Volume V, Tuesday, October 1, 1996, page 235, lines 10-12, testimony of August H. Ankum, witness for MCI; and Transcript of Tennessee Regulatory Hearing, Volume VI, Wednesday, October 2, 1996, page 70, lines 11-25 and page 71, lines 1-3, testimony of Archie Hickerson, witness for the Consumer Advocate.

2. That the wholesale discount be, and hereby is, established as a set percentage off the tariffed rates⁶; and

3. That the decisions rendered in Docket No. 96-01331 and evidenced in this Order apply to the resale of bundled services, which include operator services and directory assistance⁷; and

4. That the wholesale discount percentage be, and hereby is, based on Tennessee intrastate revenues and expenses⁸; and

5. That the expenses in the following accounts, be, and hereby are, found to be directly avoided⁹:

Account 6611-Product Management,

Account 6612-Sales,

Account 6613-Product Advertising, and

Account 6623-Customer Services; and

⁶ Sprint-United advocated the adoption of a set dollar amount off of the retail price rather than a percentage discount. The Authority did not adopt this position. As an example of testimony supporting the approach taken by the Authority, see Transcript of Tennessee Regulatory Hearing, Volume I, Monday, September 30, 1996, page 256, lines 3-14, testimony of Walter S. Reid, witness for BellSouth.

⁷ As an example of testimony supporting the approach taken by the Authority, see Transcript of Tennessee Regulatory Hearing, Volume I, Monday, September 30, 1996, page 273, line 25 and page 274, line 1, testimony of Walter S. Reid, witness for BellSouth.

⁸ As an example of testimony supporting the position taken by the Authority, see Transcript of Tennessee Regulatory Hearing, Volume V, Tuesday, October 1, 1996, pages 235-243, testimony of August H. Ankum, witness for MCI and Attachment 3, Direct Testimony of August H. Ankum Before the Tennessee Regulatory Authority on Behalf of MCI dated September 10, 1996.

⁹ As an example of testimony supporting the approach taken by the Authority, see Transcript of Tennessee Regulatory Hearing, Volume VI, Wednesday, October 2, 1996, page 37, lines 14-18, testimony of Archie Hickerson, witness for the Consumer Advocate.

6. That for BellSouth, approximately eighty (80%) percent of the expenses included in the accounts named in Paragraph 5 above are avoided¹⁰; and

7. That for Sprint-United, approximately eighty-three and one-half (83.5%) percent of the expenses included in the accounts named in Paragraph 5 above are avoided¹¹; and

8. That the expenses in the following accounts, be, and hereby are, found to be indirectly avoided¹²:

Account 6121-Land and Buildings,

Account 6122-Furniture and Artwork,

Account 6123-Office Equipment,

Account 6124-General Purpose Computer,

Account 6711-Executive,

Account 6712-Planning,

Account 6721-Accounting and Finance,

Account 6722-External Relations,

Account 6723-Human Resources,

Account 6724-Information Management,

Account 6725-Legal,

Account 6726-Procurement,

¹⁰ The percentage determined in Paragraph 6 is based upon proprietary information submitted by the parties to the Avoidable Costs Proceeding. Such information is the subject of a Protective Order.

¹¹ The percentage determined in Paragraph 7 is based upon proprietary information submitted by the parties to the Avoidable Costs Proceeding. Such information is the subject of a Protective Order.

¹² As an example of testimony supporting the approach taken by the Authority, see Transcript of Tennessee Regulatory Hearing, Volume VI, Wednesday, October 2, 1996, page 38, lines 1-6, testimony of Archie Hickerson, witness for the Consumer Advocate.

Account 6727-Research and Development,

Account 6728-Other General and Administrative; and

9. That the percentage of indirect expenses avoided is calculated as a ratio of directly avoided expenses to total direct expenses¹³; and

10. That for BellSouth, approximately fifteen (15%) percent of the expenses included in the accounts named in Paragraph 8 are avoided¹⁴; and

11. That for Sprint-United, approximately twelve and sixty one-hundredths (12.60%) percent of the expenses included in the accounts named in Paragraph 8 are avoided¹⁵; and

12. That "Uncollectible Revenues" recorded in Account 5301 are treated as indirect expenses and are avoided at one hundred (100%) percent¹⁶; and

13. That the wholesale discount be, and hereby is, calculated as a ratio of total avoided expenses to total operating expenses¹⁷; and

¹³ As examples of testimony supporting the approach taken by the Authority, see Transcript of Tennessee Regulatory Hearing, Volume IV, Tuesday, October 1, 1996, page 116, lines 4-25 and page 117, lines 1-14, testimony of Patricia A. McFarland, witness for AT&T; Transcript of Tennessee Regulatory Hearing, Volume VI, Wednesday, October 2, 1996, page 41, lines 16-25 and page 42, lines 1-21, testimony of Archie Hickerson, witness for the Consumer Advocate; and Transcript of Tennessee Regulatory Hearing, Volume VI, Wednesday, October 2, 1996, page 54, lines 5-8, testimony of Archie Hickerson, witness for the Consumer Advocate.

¹⁴ The percentage determined in Paragraph 10 is based upon proprietary information submitted by the parties to the Avoidable Costs Proceeding. Such information is the subject of a Protective Order.

¹⁵ The percentage determined in Paragraph 11 is based upon proprietary information submitted by the parties to the Avoidable Costs Proceeding. Such information is the subject of a Protective Order.

¹⁶ As examples of testimony supporting the approach taken by the Authority, see Transcript of Tennessee Regulatory Hearing, Volume IV, Tuesday, October 1, 1996, page 138, lines 2-8, testimony of Art Lerma, witness for AT&T; Transcript of Tennessee Regulatory Hearing, Volume V, Tuesday, October 1, 1996, page 240, lines 13-20, testimony of August H. Ankum, witness for MCI.

¹⁷ As an example of testimony supporting the approach taken by the Authority, see Transcript of Tennessee Regulatory Hearing, Volume V, Tuesday, October 1, 1996, page 245, lines 4-10, testimony of August H. Ankum, witness for MCI.

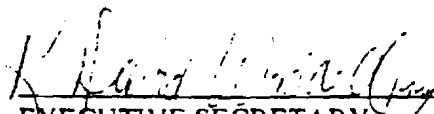
14. That the wholesale discount for BellSouth be, and hereby is, sixteen (16%) percent; and

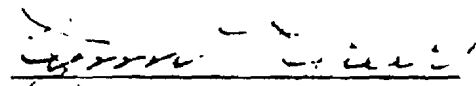
15. That the wholesale discount for Sprint-United be, and hereby is, twelve and seventy one-hundredths (12.70%) percent; and

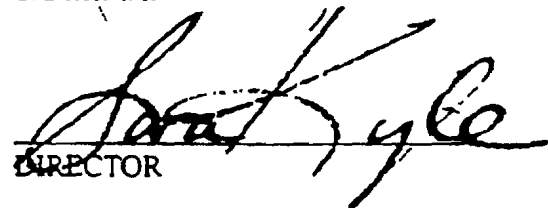
16. That any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order; and

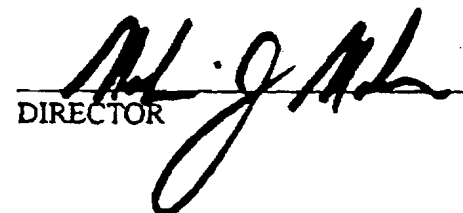
17. That any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.

ATTEST:


EXECUTIVE SECRETARY


CHAIRMAN


DIRECTOR


DIRECTOR

APPEARANCES:

Guy M. Hicks, Esquire, General Counsel-Tennessee, 333 Commerce Street, Suite 2101, Nashville, Tennessee 37201-3300 and Fred McCallum, Esquire, and Thomas B. Alexander, Esquire, 675 West Peachtree Street, Suite 4300, Atlanta, Georgia 30375-0001, appearing on behalf of BellSouth Telecommunications, Inc. ("BellSouth").

Carolyn Tatum Roddy, Esquire, Attorney, State Regulatory, 3100 Cumberland Circle, Atlanta, Georgia 30339, appearing on behalf of Sprint Communications Company, L.P. ("Sprint").

James Wright, Esquire, Senior Attorney, 14111 Capital Boulevard, Wake Forest, North Carolina 27587-5900, appearing on behalf of United Telephone-Southeast ("United").

Herein Sprint and United have been jointly referred to as "Sprint-United".

James Falvey, Esquire, 131 National Business Parkway, #100, Annapolis Junction, Maryland 20701, appearing on behalf of American Communications Services, Inc. ("ACSI").

G. Thomas McPherson, Esquire, Benham-Leake, 6000 Poplar Avenue, Suite 401, Memphis, Tennessee 38119, appearing on behalf of ATS of Tennessee, LLC ("ATS").

Val Sanford, Esquire, and John Knox Walkup, Esquire, Gullett, Sanford, Robinson & Martin, 230 Fourth Avenue, N., 3rd Floor, P.O. Box 198888, Nashville, Tennessee 37219-8888 and James Lamoureux, Esquire and Thomas Lemmer, Esquire, 1200 Peachtree Street, Atlanta, Georgia 30309, appearing on behalf of AT&T Communications of the South Central States, Inc. ("AT&T").

Vincent Williams, Esquire, Second Floor, Cordell Hull Building, 426 Fifth Avenue North, Nashville, Tennessee 37243-0500, formerly located at 1504 Parkway Tower, 404 James Robertson Parkway, Nashville, Tennessee 37243-0500, appearing on behalf of the Consumer Advocate Division of the Office of the Attorney General (the "Consumer Advocate").

Jon E. Hastings, Esquire, Boulton, Cummings, Conners & Berry, PLC, 414 Union Street, Suite 1600, Nashville, Tennessee 37219 and Michael Henry, Esquire, Senior Counsel, 780 Johnson Ferry Road, Atlanta, Georgia 30875, appearing on behalf of MCI Telecommunications Corporation ("MCI").

Dana Shaffer, Esquire, 105 Malloy Street, #300, Nashville, Tennessee 37201, appearing on behalf of NEXTLINK of Tennessee, LLC ("Nextlink").

T. G. Pappas, Esquire, Bass, Berry & Sims, 2084 First American Center, Nashville, Tennessee 37238, appearing on behalf of the Coalition of Small Local Exchange Companies.

Charles Welch, Jr., Esquire, Farris, Mathews, Gilman, Brannan & Hellen, 511 Union Street, Suite 2400, Nashville, Tennessee 37219, appearing on behalf of Time-Warner AXS of Tennessee, L.P. ("Time-Warner").

Herein ACSI, ATS, AT&T, MCI, Time-Warner, Nextlink, and the Coalition of Small Local Exchange Companies have been referred to collectively as "Local Service Competitors."

