



BellSouth Telecommunications, Inc.
333 Commerce Street
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Nashville, TN 37201-3300

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101 OCT 21 PM 1:42
Joelle J. Phillips
Attorney
615 214 6311
Fax 615 214 7406

September 21, 2001

VIA HAND DELIVERY

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

Re: *Petition of MCI WorldCom to Enforce Interconnection Agreement with BellSouth*
Docket No. 99-00662

Dear Mr. Waddell:

Enclosed please find the original and thirteen copies of the rebuttal testimony of Richard McIntire and Patrick Finlen. Copies have been provided to counsel of record.

Cordially,

Joelle Phillips

JP/jej

Enclosure

CERTIFICATE OF SERVICE

I hereby certify that on September 21, 2001, a copy of the foregoing document was served on the parties of record, via the method indicated:

- Hand
- Mail
- Facsimile
- Overnight

Henry Walker, Esquire
Boult, Cummings, et al.
414 Union Ave., #1600
P. O. Box 198062
Nashville, TN 39219-8062

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

1 BELLSOUTH TELECOMMUNICATIONS, INC.
2 REBUTTAL TESTIMONY OF RICHARD MCINTIRE
3 BEFORE THE TENNESSEE REGULATORY AUTHORITY

4 DOCKET NO. 99-00662

5 SEPTEMBER 21, 2001
6
7

8 Q. PLEASE STATE YOUR NAME, POSITION, AND ADDRESS WITH BELLSOUTH
9 TELECOMMUNICATIONS, INC. (HEREINAFTER REFERRED TO AS
10 "BELLSOUTH").
11

12 A. My name is Richard McIntire. I am employed by BellSouth as an Operations Director in
13 the Local Interconnection Services Center ("LISC"). My business address is 600 North
14 19th Street, Birmingham, Alabama, 35203.
15

16 Q. ARE YOU THE SAME RICHARD MCINTIRE WHO FILED DIRECT TESTIMONY
17 IN THIS PROCEEDING?
18

19 A. Yes.
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21 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY BEING FILED TODAY?
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23 A. I will provide rebuttal to the testimony of Dan Aronson.

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Q. HAVE YOU REVIEWED EXHIBIT 1 TO MR. ARONSON'S AFFIDAVIT DATED AUGUST 17, 2001?

A. Yes. I reviewed the spreadsheet provided by Mr. Aronson when it was originally provided to BellSouth. I have prepared a spreadsheet comparing BellSouth's data to the data supplied by MCImetro. To demonstrate the comparison, our spreadsheet includes both MCImetro's numbers as well as BellSouth's numbers for ease of reference. We believe MCImetro's calculations are incorrect for the reasons articulated in my direct testimony. I have attached the spreadsheet that I prepared to my rebuttal testimony as Exhibit 1. As reflected on Exhibit 1, BellSouth's calculation demonstrates that the total amount then due to MCImetro was \$2,935,939.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BELLSOUTH TELECOMMUNICATIONS, INC.
REBUTTAL TESTIMONY OF PATRICK C. FINLEN
BEFORE THE TENNESSEE REGULATORY AUTHORITY
DOCKET NO. 99-00662
SEPTEMBER 21, 2001

Q. PLEASE STATE YOUR NAME, ADDRESS, AND POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. (HEREINAFTER REFERRED TO AS "BELLSOUTH").

A. My name is Patrick C. Finlen. I am employed by BellSouth as a Managing Director in the Interconnection Services, Marketing Department. My business address is 675 West Peachtree Street, Atlanta, Georgia, 30375.

Q. ARE YOU THE SAME PATRICK C. FINLEN WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address the issues that were raised in the Direct Testimony of Mr. Dan Aronson of MCI WorldCom. These are:

- The Tennessee Regulatory Authority's ("TRA") July 12th Order Directing Payment (Paragraphs 4 and 5, of August 17, 2001 Affidavit);
- The actions of BellSouth regarding payments (Paragraph 6 of the August 17, 2001 Affidavit);
- What is the appropriate rate that should be applied for compensation of ISP-bound traffic (Paragraphs 7 through 9, of the August 17, 2001 Affidavit);
- The assertion that BellSouth has "failed to utilize the dispute resolution procedures" set forth in the Interconnection Agreement. (Paragraphs 15 and 16, of the August 17, 2001 Affidavit); and
- The incorrect assertion that a PLU is not required to determine jurisdictionally. (Paragraphs 17 through 20, of the August 17, 2001 Affidavit).

July 12th Order

Q. IN PARAGRAPH 4, OF THE AUGUST 17, 2001 AFFIDAVIT, MR. ARONSON SEEMS TO BE IMPLYING THAT THE TRA ORDERED BELLSOUTH TO PAY \$10.2 MILLION IN RECIPROCAL COMPENSATION FOR ISP-BOUND TRAFFIC. IS THAT CORRECT?

A. No. The TRA did not specify an amount that BellSouth must pay MCI WorldCom of reciprocal compensation of ISP-bound traffic in its July 12, 2001 Order. The TRA simply ordered that BellSouth treat ISP-bound traffic as Local Traffic under the terms of the

Interconnection Agreement and to pay reciprocal compensation for such traffic. BellSouth has complied with that Order.

Q. DO YOU AGREE THE AMOUNT DUE TO MCI WORLDCOM FOR RECIPROCAL COMPENSATION FOR ISP-BOUND TRAFFIC IS \$10.2 MILLION AS CLAIMED BY MR. ARONSON IN PARAGRAPH 5 OF HIS AUGUST 17, 2001 AFFIDAVIT?

A. Absolutely not. As Mr. McIntire and I have set forth in our direct testimony, MCImetro has not complied with the terms of the Interconnection Agreement for determining the amount of reciprocal compensation due for ISP-bound traffic. Mr. Aronson has selectively cited sections of the Interconnection Agreement out of context. As I will set forth below, Mr. Aronson has failed to understand that the contract must be interpreted in its entirety and not simply in piece parts.

Actions of BellSouth

Q. PLEASE COMMENT ON MR. ARSON'S ALLEGATION THAT IT IS "TYPICAL OF THE PATTERN AND PRACTICE" FOR BELLSOUTH TO MAKE UNILATERAL ADJUSTMENTS TO INVOICED USAGE BILLINGS. (PARAGRAPH 6, OF AUGUST 17th AFFIDAVIT).

A. First of all Mr. Aronson's statement is both inflammatory and unfounded in fact. Mr. Aronson is attempting to imply that BellSouth has a practice in place to make adjustments to all invoices it receives from MCI WorldCom. If it were not for the inflammatory nature of this statement, I would find it amusing, since MCI WorldCom has

on numerous occasions made adjustments to bills it has received from BellSouth. For instance, between November 1997 and October 1999, MCI WorldCom withheld \$12.7 million for the purchase of DS1 special access circuits in Florida, and Georgia. This dispute went through the billing dispute process, as outlined in Attachment VIII, Section 3.1.18.4, and ultimately through the dispute resolution process. Throughout the dispute, MCI Worldcom withheld the amounts at issue. The dispute was finally resolved by the appropriate state Commissions and BellSouth was ordered to credit MCI WorldCom \$8.5 million, leaving a balance of \$4.2 million. MCI WorldCom has yet to pay the outstanding \$4.2 million.

Mr. Aronson has made the statement that BellSouth "typical[ly]" makes unilateral adjustments to invoiced usage billing it receives. BellSouth does carefully examine bills that it receives and disputes amounts it does not believe it owes, while paying what it believes is the correct amount in lieu of holding the full payment in abeyance. MCImetro does the same. When MCImetro believes a BellSouth bill is incorrect, MCImetro makes the "unilateral" decision to adjust the amount and withhold amounts that it disputes are owed.

The appropriate rate

Q. DO YOU AGREE WITH MR. ARONSON THAT THE PARTIES ARE TO KEEP THE EXISTING AGREEMENT IN PLACE UNTIL THE PARTIES EXECUTE A NEW INTERCONNECTION AGREEMENT?

- A. Yes. The existing agreement should remain in place until the Parties execute a new "Follow-on" Interconnection Agreement. What Mr. Aronson fails to realize is the Interconnection Agreement already provides for changes in rates. This provision is contained in Section 1.1 of the Parties Interconnection Agreement. This Section states the following:

All rates provided under this Agreement are interim, subject to true-up,
and shall remain in effect **until the Authority determines otherwise...**

[Emphasis added]

Table 1 of Attachment 1 of the Interconnection Agreement sets forth an **interim** rate for end office switching -- local termination at \$0.004 per minute of use. On December 19, 2000, in Docket No. 97-01262, the Authority set permanent rates for certain unbundled network elements, one of which was end office switching. The permanent rate set by the Authority for this element is \$0.0008041 and must, as called for in the Interconnection Agreement, be used for the determination of reciprocal compensation.

- Q. ARE THERE ANY OTHER SECTIONS IN THE INTERCONNECTION AGREEMENT THAT REQUIRE THE PARTIES TO USE THE AUTHORITY'S RATES FOR COMPENSATION FOR CALL TRANSPORT AND TERMINATION?

- A. Yes. Section 2.2.1 requires that the parties are to use rates set forth by the Authority. This section states:

The Parties shall bill each other reciprocal compensation at the rates set forth for Local Interconnection in this Agreement and the **Order of the TRA**.... [Emphasis added]

While these sections do not require an amendment, BellSouth has offered one. MCImetro has refused to amend the agreement and refuses to explain why it doesn't want the lower UNE rates.

Q. HAS MCI WORLDCOM EVER EXPRESSED A DESIRE TO USE STATE RATES?

A. Yes. As a member of SECCA, MCI WorldCom has repeatedly demanded in other dockets that the TRA-ordered UNE rates should be available immediately with or without an amendment.

Dispute Resolution Process

Q. IN PARAGRAPH 15, OF THE AUGUST 17, 2001 AFFIDAVIT, MR. ARONSON ASSERTS THAT 1) BELLSOUTH HAS NOT UTILIZED THE DISPUTE RESOLUTION PROCESS AND 2) THAT ALTHOUGH THE INTERCONNECTION AGREEMENT IN ATTACHMENT VIII, SECTION 3.1.18.4 PROVIDES FOR BILLING DISPUTE RESOLUTION PROCESS, BELLSOUTH SHOULD NOT HAVE WITHHELD PAYMENT DUE TO A BILLING DISPUTE. IS THIS CORRECT?

A. No. First as can be seen by the attached correspondence (Exhibit PCF-1), BellSouth has clearly invoked the dispute resolution process. (See letters dated July 27 and August 8,

2001). Mr. Aronson was incorrect when he initially made this inaccurate charge on August 17, 2001. Given that BellSouth has highlighted this issue in its response to the sanctions motion and provided the correspondence demonstrating that BellSouth had clearly triggered the dispute resolution process, it is not understandable that Mr. Aronson has again filed testimony, which contains the same inaccurate statements that have already been demonstrated to be false.

What MCI WorldCom has failed to acknowledge is that the Interconnection Agreement calls for certain procedures to be followed for resolution of a billing dispute and none of those procedures impose the "pay now, argue later" concept urged by MCI metro. The Interconnection Agreement is very clear on this issue. Attachment VIII Section 3.1.18 states the following:

3.1.18 Bill Reconciliation

3.1.18.1 Each party agrees to notify the other party upon the discovery of a billing discrepancy "Notice of Discrepancy."

3.1.18.2 In the event of such Notice of Discrepancy, the parties shall endeavor to resolve the discrepancy within sixty (60) calendar days notification using normal business procedures. If the discrepancy is disputed, resolution of such dispute is expected to occur at the first level of management resulting in a recommendation for settlement of the dispute and closure of a specific billing period.

3.1.18.3 Closure of a specific billing period shall occur by joint Agreement of the parties whereby the parties agree that such billing period is closed to any further analysis and financial transactions, except those resulting from an Audit. Closure shall take place within nine (9) months of the Bill Date. The month being closed represents those Connectivity Charges that were billed or should have been billed by the respective Bill Date.

3.1.18.4 If the dispute is not resolved within the allotted time frame, the following resolution procedure shall begin:

3.1.18.4.1 If the dispute is not resolved within sixty (60) days of the Notice of Discrepancy, the dispute shall be escalated to the second level of management for resolution.

3.1.18.4.2 If the dispute is not resolved within ninety (90) days of Notice of Discrepancy, the dispute shall be escalated to the third level of management for resolution.

3.1.18.4.3 If the dispute is not resolved within one hundred and twenty (120) days of the Notice of Discrepancy, the dispute may be resolved pursuant to Section 23 (Dispute Resolution Procedures) of Part A of this Agreement.

There is nothing in the above language requiring the disputing Party, in this case BellSouth to pay disputed amounts prior to the resolution of a billing dispute.

Q. MR. ARONSON ASSERTS IN PARAGRAPH 16, OF HIS AUGUST 17, 2001 AFFIDAVIT THAT BELLSOUTH HAS NO DESIRE TO RESOLVE DISPUTES, AND THAT IS NOT HOW OTHER ILECS HANDLE BILLING DISPUTES. DO YOU AGREE?

A. Absolutely not. BellSouth has been attempting to resolve this issue in accordance with the Interconnection Agreement between the Parties. First, it should be noted that nowhere in Mr. Aronson's affidavit does he offer any facts demonstrating that other ILECs resolve their billing disputes with MCI WorldCom using a "Pay Now, Argue Later" policy. BellSouth stands ready to resolve billing disputes. As demonstrated by the correspondence attached as Exhibit PCF-1, BellSouth has provided explanation regarding its position and has repeatedly asked MCI metro to explain its positions. Rather than addressing BellSouth's questions, MCI metro refused to discuss the specifics of the billing dispute and instead sought sanctions.

PLU

Q. DOES THE SIGNALING INFORMATION, INCLUDING THE CALLING PARTY NUMBER REQUIRED IN ATTACHMENT IV, SECTION 3.2 OF THE INTERCONNECTION AGREEMENT PROVIDE ENOUGH INFORMATION TO ALLOW THE TERMINATING PARTY TO PROPERLY "JURISDICTIONALIZE" THE TRAFFIC IT RECEIVES AS EITHER LOCAL OR TOLL FOR BILLING PURPOSES? (PARAGRAPH 18, OF THE AUGUST 17, 2001 AFFIDAVIT)

A. No. All this section states in that the parties are to provide Common Channel Signaling ("CCS") to each other in conjunction with the trunk groups that support local, transit, and toll traffic.

Q. DOES THE INTERCONNECTION AGREEMENT PROVIDE A METHODOLOGY FOR DETERMINING THE JURISDICTION OF TRAFFIC BETWEEN THE PARTIES?

A. Yes it does. Section 7.3, of Attachment IV of the Interconnection Agreement requires the parties to provide to each other usage reports, one of which is a Percent Local Use (PLU). Furthermore, Section 8, entitled "Responsibilities Of The Parties" requires the parties to "exchange such reports and/or data as provided in this Attachment in Section 7.3 to facilitate **the proper billing of traffic.** [Emphasis added]

What Mr. Aronson has attempted in his Direct Testimony is to mislead the Authority by selecting piece parts of the Interconnection Agreement when in fact the contract between the Parties sets forth very specific language for the determination of jurisdictionality.

Q. DO YOU BELIEVE MCIMETRO INTENDED THAT A PLU WOULD BE USED TO DETERMINE JURISDICTION OF TRAFFIC UNDER THE INTERCONNECTION AGREEMENT?

A. Absolutely. PLUs are recognized in the industry as an appropriate method for determining the jurisdiction of traffic. MCImetro has recognized this fact in the past.

Specifically, in September of 1996, MCI submitted the testimony of Steven R. Brenner in Docket No. 96-01152, in which Mr. Brenner discussed at length that audited PLU reports are the "most efficient measurement and billing procedures to be used to implement compensation." (Brenner Testimony at 37).

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

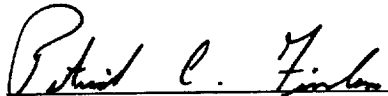
A. Yes.

AFFIDAVIT

STATE OF: Georgia
COUNTY OF: Fulton

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Patrick C. Finlen-Managing Director, Interconnection Services, BellSouth Telecommunications, Inc., who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 99-00662 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 11 pages and 1 exhibit(s).



Patrick C. Finlen

Sworn to and subscribed
before me on September 17, 2001



NOTARY PUBLIC

Notary Public, Cobb County, Georgia
My Commission Expires June 19, 2005



BellSouth Telecommunications, Inc.
333 Commerce Street, Suite 2101
Nashville, TN 37201-3300

guy.hicks@bellsouth.com

Guy M. Hicks
General Counsel

615 214 6301
Fax 615 214 7406

August 8, 2001

VIA FACSIMILE

Henry Walker, Esquire
Boult, Cummings, Conners & Berry
Post Office Box 198062
Nashville, Tennessee 37219-8062

Re: *Petition of MCI WorldCom to Enforce Interconnection Agreement with
BellSouth*
Docket No. 99-00662

Dear Henry:

Thank you for your letter of August 2, 2001. BellSouth is pleased to see that MCI agrees that none of the matters now at issue between the parties relate to ISP traffic.

As we have said, BellSouth has paid all amounts formerly withheld solely on the basis of our ISP argument, and the remaining disputes arise exclusively from our differing interpretation of: (1) the processes established by the Interconnection Agreement for establishing the jurisdiction of calls; (2) the timing for payment of disputed amounts under the Interconnection Agreement; and (3) the appropriate method for implementing the true-up provision. None of these matters relates to the TRA's ruling on ISP traffic, and none of these issues were addressed by the TRA's recent order. It seems clear that BellSouth and MCI merely have a billing dispute, unrelated to the matters addressed by the TRA in the context of Docket No. 99-00662 concerning instead the following items:

1. The Interconnection Agreement Clearly Requires Use of a PLU to Measure Usage.

Your letter seems to suggest that this issue turns on isolated improper identification of certain toll calls. Respectfully, we believe MCI is missing the point. While we have attempted to use the example relating to "1+" calls to explain the

BellSouth Telecommunications, Inc.
TRA Docket No. 99-00662
Exhibit PCF-1
September 21, 2001

Henry Walker, Esquire
August 8, 2001
Page 2

inaccuracy of MCI's position on usage measurement, the issue is not "1 + " calls -- the issue is the method set forth in the Interconnection Agreement to determine usage.

MCI's position that it is permitted to determine the jurisdiction of calls in a manner other than that set forth in Section 7 of Attachment IV, entitled "Usage Measurement" is not supported by the language of the Interconnection Agreement. MCI has failed to cite any provision from the Interconnection Agreement permitting it to use signaling information to measure the local traffic for purposes of billing. Rather, MCI has cited provisions from Section 3, of Attachment IV, entitled "Signaling" to suggest that, using ANI and other information, MCI can determine "actual charge information." As discussed in our previous letter, BellSouth refutes that MCI can correctly determine "actual charge information" in this manner. MCI has declined to respond to our request that it explain the manner in which it believes it accurately measures the local usage using this method. We believe that MCI has opted not to address this issue because it cannot demonstrate that it is capable of creating "actual" charge information in this manner.

Notwithstanding the debate about whether MCI could feasibly use the ANI information to measure usage, the Interconnection Agreement is clear that Section 7.3 of Attachment IV (which clearly and explicitly requires use of a PLU) governs the "proper billing of traffic." Thus, even if MCI could measure usage in another manner, MCI has agreed, pursuant to Section 8.2 of Attachment IV, that the parties are required to bill in accordance with Section 7.3's requirement of a usage report containing a PLU.

Simply stated, the Interconnection Agreement requires the parties to exchange PLUs for the purpose of determining billing. Accordingly, BellSouth's billing to MCI is based on the MCI-provided PLU. Even if MCI now actually believes that the PLU is a poor surrogate for another more accurate method of measuring usage, the parties are required to measure usage in the manner provided by the Interconnection Agreement. The parties are not permitted to assert, when convenient, that another method is superior to the method set forth in the Interconnection Agreement and unilaterally impose that method absent an amendment.

Henry Walker, Esquire
August 8, 2001
Page 3

2. Surely MCI Does Not Seriously Contend That it Would Agree to a "Pay Now, Dispute Later" Construction of the Interconnection Agreement Requiring Both Parties to Pay All Amounts Billed Subject to a Later Refund After Disputes Are Resolved.

No provision of the Interconnection Agreement says the parties must "pay now and argue later," and MCI has certainly not paid amounts that it has disputed in the past. While the Interconnection Agreement may be silent as to the timing of payment of disputed, but billed, charges, the conduct of the parties speaks volumes about the parties' understanding of this process.

If MCI construes the Interconnection Agreement according to what your letter says, then MCI must immediately pay BellSouth the more than \$4,900,000 that it is currently refusing to pay due to billing disputes. If MCI seriously intends to impose a "Pay Now, Dispute Later" policy on BellSouth, then it must abide by that policy as well. To date, MCI has not done so. MCI has consistently taken the position that it ought not be required to pay disputed charges pending resolution of disputes. For example, attached is a copy of an e-mail from Debra Whitaker, of MCI, informing BellSouth that MCI has "deducted" \$697,882.57 from a BellSouth invoice because MCI disputes the amount billed.

BellSouth believes the consistent course of dealings between the parties clearly demonstrate that neither party believed the Interconnection Agreement could be reasonably construed to require payment of all amounts billed, whether or not disputed, pending resolution of a dispute.

3. Does MCI Actually Mean to Say That it Does Not Intend to Substitute the TRA-Ordered UNE Rates in Order to Avoid a More Reasonable Resolution of the True-Up Issue?

We continue to be perplexed by MCI's position on this point. Does MCI actually intend to decline to amend its agreement to substitute the new TRA-ordered UNE rates? The position seems irreconcilable with MCI's long-standing position that TRA-ordered UNE rates should be immediately available to CLECs. Is it now MCI's position that, in general TRA-ordered UNE rates should be immediately available to CLECs, but that MCI should be able to enjoy the benefit of now-obsolete end-office switching rates in this particular case?

Henry Walker, Esquire
August 8, 2001
Page 4

As we have said, BellSouth believes that we should amend the Interconnection Agreement to include all of the TRA-ordered rates. However, since this discussion deals only with local interconnection rates and as a gesture of good faith, a proposed amendment incorporating the TRA-ordered rates for reciprocal compensation in Docket No. 97-01262 is attached for MCI's review. Finally, as we have already indicated, BellSouth has chosen to initiate the Examination process pursuant to Section 22 of the Interconnection Agreement.¹

While we believe that this is nothing more than a billing dispute, which we are willing to resolve using the procedures available under the contract, BellSouth is certainly willing to make its decision-makers available to discuss these matters before the TRA.

Very truly yours,



Guy M. Hicks

GMH/jej

Enclosure

¹ You will recall that my last letter quoted the text of Section 22.4, which we believe to be consistent with our position that the Interconnection Agreement does not require payment of disputed amounts pending the resolution of the dispute. Rather, Section 22.4 expressly references payment following receipt of the final audit report.

Hicks, Guy

From: debra.whitaker@wcom.com
To: Ramsey, Valerie
Cc: Clark, Cindy; Cliett, Robyn; Moorman, Michelle; Alhagi.Mbowe@wcom.com;
Donna.Kelsick@wcom.com
Subject: LIDB and Outstanding Disputes

Valerie,

All LIDB credits have been deducted from the 4/19 cycle. The total amount that was deducted was \$697,882.57. Also, I would like to get an update on several other issues that are still outstanding with BST.

1. INVALID USOCS
2. DISCONNECTED CIRCUITS
3. CANCELLATION CHARGE

If these are claims that you are not currently working with, would you please point me in the right direction, so that we can get an ideal how much longer it will take to get these issues resolved.

Thank you,

Deborah Whitaker
(7707) 625-6852

**Amendment to the Interconnection Agreement
By and Between BellSouth Telecommunications, Inc.
And MCImetro Access Transmission Services, Inc.
Dated April 4, 1997**

Pursuant to this Amendment, (the "Amendment"), MCImetro Access Transmission Services, Inc. ("MCIIm"), and BellSouth Telecommunications, Inc. ("BellSouth"), hereinafter referred to collectively as the "Parties," amend that certain Interconnection Agreement between the Parties dated April 4, 1997 ("Agreement").

WHEREAS, BellSouth and MCIIm desire to amend the Agreement to incorporate rates for local interconnection established by the Tennessee Regulatory Authority ("TRA") in Docket No. 97-01262, on December 19, 2000, as amended by BellSouth's corrected submissions of January 31, 2001 and February 12, 2001.

NOW, THEREFORE, in consideration of the mutual provisions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties amend the Agreement as follows:

1. Those permanent rates established by the TRA in Docket No. 97-01262 for Local Interconnection in Tennessee are as set forth in Exhibit 1-TN, attached hereto and incorporated herein by this reference. In accordance with Section 1.1 of Attachment I of the Agreement, these rates shall be effective as of April 4, 1997, and the Parties hereby agree to "true-up" billing based on these rates from the Effective Date of the Agreement.
2. To the extent that any rate element set forth in Exhibit 1-TN corresponds to a rate element set forth in Attachment I, Table 1 of the Agreement, all such rate elements and rates are hereby deleted in their entirety and replaced with the corresponding rate elements and rate in Exhibit 1-TN.
3. Any rate element and rate in the Agreement that is not expressly replaced by the rates and rate elements set forth in Exhibit 1-TN as described in paragraph 2 above shall remain in full force and effect in accordance with the terms of the Agreement.
4. To the extent MCIIm and BellSouth have not previously negotiated terms and conditions corresponding to any rate element set forth in Exhibit 1-TN, then any order for such element shall be provisioned in accordance with the terms and conditions set forth in the Competitive Local Exchange Carrier Tariff for the State of Tennessee, incorporated herein by this reference.
4. All of the other provisions of the Agreement, dated April 4, 1997, shall remain in full force and effect.
5. Either or both of the Parties is authorized to submit this Amendment to the respective state regulatory authorities for approval subject to Section 252(e) of the Federal Telecommunications Act of 1996.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective duly authorized representatives on the date indicated below.

MCImetro Access Transmission Services, Inc.

BellSouth Telecommunications, Inc.

Signature

Signature

Printed Name

Printed Name

Title

Title

Date

Date

LOCAL INTERCONNECTION
Tennessee

7/25/01

| CATEGORY | NOTES | Index | Sms | BOS | USOC | RATES | | | | OSIS RATES | | | | | | | | |
|---|---|-------|-----|-----------|-------|-----------------|-------------|-----------|--------|-------------------------------------|-------------------------------------|--|--|--|--|--|--|--|
| | | | | | | Interconnecting | | Measuring | | See Order Submitted Monthly per LSR | See Order Submitted Monthly per LSR | Incremental Charge - Manual Order vs. Electronic-Adj | Incremental Charge - Manual Order vs. Electronic-Adj | Incremental Charge - Manual Order vs. Electronic-Adj | Incremental Charge - Manual Order vs. Electronic-Adj | | | |
| | | | | | | Per M | Per M | Per M | Per M | | | | | | | | | |
| LOCAL INTERCONNECTION (CALL TRANSPORT AND TERMINATION) | | | | | | | | | | | | | | | | | | |
| END OFFICE SWITCHING | | | | | | | | | | | | | | | | | | |
| | End Office Switching Function, Per MOU | | | OHD | | | \$0.0008041 | | | | | | | | | | | |
| TANDEM SWITCHING | | | | | | | | | | | | | | | | | | |
| | Tandem Switching Function Per MOU | | | OHD | | | \$0.0006778 | | | | | | | | | | | |
| | Multiple Tandem Switching, per MOU (applies to initial tandem only) | | | OHD | | | \$0.0009778 | | | | | | | | | | | |
| TRUNK CHARGE | | | | | | | | | | | | | | | | | | |
| | Installation Trunk Side Service - per DSO | | | OHD | TPP++ | | 334.20 | 57.01 | | | | | | | | | | |
| | Dedicated End Office Trunk Port Service-per DSO** | | | OHD | TDEGP | | \$0.00 | | | | | | | | | | | |
| | Dedicated End Office Trunk Port Service-per DSO** | | | OHD | TDEIP | | \$0.00 | | | | | | | | | | | |
| | Dedicated Tandem Trunk Port Service-per DSO** | | | OHD | TDMOP | | \$0.00 | | | | | | | | | | | |
| | Dedicated Tandem Trunk Port Service-per DS1** | | | OHD | TDMWP | | \$0.00 | | | | | | | | | | | |
| ** This rate element is recovered on a per MOU basis and is included in the End Office Switching and Tandem Switching per MOU rate elements | | | | | | | | | | | | | | | | | | |
| LOCAL INTERCONNECTION (TRANSPORT) | | | | | | | | | | | | | | | | | | |
| COMMON TRANSPORT (Shared) | | | | | | | | | | | | | | | | | | |
| | Common Transport - Per Mile, Per MOU | | | OHD | | | \$0.0000964 | | | | | | | | | | | |
| | Common Transport - Facilities Termination Per MOU | | | OHD | | | \$0.0003871 | | | | | | | | | | | |
| INTEROFFICE CHANNEL - DEDICATED TRANSPORT - VOICE GRADE | | | | | | | | | | | | | | | | | | |
| | Interoffice Channel - Dedicated Transport - 2-Wire Voice Grade - Per Mile per month | | | OHL OH1MS | 1LBNF | | \$0.0174 | | | | | | | | | | | |
| | Interoffice Channel - Dedicated Transport - 2-Wire Voice Grade - Facility Termination per month | | | OHL OH1MS | 1LBNF | | \$18.56 | 17.37 | 27.96 | 3.51 | | | | | | | | |
| INTEROFFICE CHANNEL - DEDICATED TRANSPORT - 56Kbps | | | | | | | | | | | | | | | | | | |
| | Interoffice Channel - Dedicated Transport - 56 kbps - per mile per month | | | OHL OH1MS | 1LBNK | | \$0.0174 | | | | | | | | | | | |
| | Interoffice Channel - Dedicated Transport - 56 kbps - Facility Termination per month | | | OHL OH1MS | 1LBNK | | \$18.53 | 17.37 | 27.96 | 3.51 | | | | | | | | |
| | Interoffice Channel - Dedicated Transport - 64 kbps - per mile per month | | | OHL OH1MS | 1LBNK | | \$0.0174 | | | | | | | | | | | |
| | Interoffice Channel - Dedicated Transport - 64 kbps - Facility Termination per month | | | OHL OH1MS | 1LBNK | | \$18.53 | 17.37 | 27.96 | 3.51 | | | | | | | | |
| INTEROFFICE CHANNEL - DEDICATED TRANSPORT - DS1 | | | | | | | | | | | | | | | | | | |
| | Interoffice Channel - Dedicated Channel - DS1 - Per Mile per month | | | OHL OH1MS | 1LBNL | | \$0.3625 | | | | | | | | | | | |
| | Interoffice Channel - Dedicated Channel - DS1 - Facility Termination per month | | | OHL OH1MS | 1LBNL | | \$75.63 | 112.40 | 70.27 | 19.55 | 14.99 | | | | | | | |
| INTEROFFICE CHANNEL - DEDICATED TRANSPORT - DS3 | | | | | | | | | | | | | | | | | | |
| | Interoffice Channel - Dedicated Transport - DS3 - Per Mile per month | | | OHL OH3MS | 1LBNM | | \$2.34 | | | | | | | | | | | |
| | Interoffice Channel - Dedicated Transport - DS3 - Facility Termination per month | | | OHL OH3MS | 1LBNM | | \$849.99 | 625.61 | 311.39 | 103.36 | 100.59 | | | | | | | |
| LOCAL CHANNEL - DEDICATED TRANSPORT | | | | | | | | | | | | | | | | | | |
| | Local Channel - Dedicated - 2-Wire Voice Grade per month | | | OHL | TEFV2 | | \$19.02 | 195.33 | 24.16 | 54.81 | 4.90 | | | | | | | |
| | Local Channel - Dedicated - 4-Wire Voice Grade per month | | | OHL | TEFV4 | | \$20.56 | 201.53 | 24.83 | 55.52 | 5.51 | | | | | | | |

**LOCAL INTERCONNECTION
Tennessee**

7/25/01

| CATEGORY | NOTES | Includes | Zone | SOS | USOC | RATES | | | OSS RATES | | | | | |
|----------|--|----------|------|-----|-----------|---------|------------|--------|----------------------------------|-------------------------------------|--|--|--|--|
| | | | | | | Base | Nonrenewal | Advt | See Order Submitted Base per LBT | See Order Submitted Monthly per LBT | Incremental Charge - Manual See Order vs. Electronic-1st | Incremental Charge - Manual See Order vs. Electronic-Adj | Incremental Charge - Manual See Order vs. Electronic-2nd | Incremental Charge - Manual See Order vs. Electronic-3rd |
| | | | | | | 277.36 | 233.26 | 33.18 | 22.30 | | 46.68 | 1.76 | 21.75 | 1.76 |
| | Local Channel - Dedicated - DS1 per month | | | | TEFH3 | \$40.99 | | | | | | | | |
| | Local Channel - Dedicated - DS3 Facility Termination per month | | | | | \$11.3 | 411.84 | 103.38 | 100.99 | | | | | |
| | | | | | | | | | | | | | | |
| | NOTE: If Access service rate Mid-Span Meet, one-half the tariffed service Local Channel rate is applicable. | | | | | | | | | | | | | |
| | Local Channel - Dedicated - DS1 per month | | | | OH1MS | \$0.00 | | | | | | | | |
| | Local Channel - Dedicated - DS3 per month | | | | TEFH3 | \$0.00 | | | | | | | | |
| | | | | | | | | | | | | | | |
| | MULTIPLXERS | | | | | | | | | | | | | |
| | Channelization - DS1 to DS0 Channel System | | | | OH1 OH1MS | \$50.77 | 141.87 | 77.11 | 14.61 | 13.46 | | | | |
| | DS3 to DS1 Channel System per month | | | | OH3 OH3MS | \$22.98 | 306.03 | 108.47 | 44.47 | 42.82 | | | 20.35 | 9.80 |
| | DS3 Interface Unit (DS1 COG) per month | | | | OH1 OH1MS | \$17.86 | 6.07 | 4.98 | | | | | 20.35 | 9.80 |

Notes: If no rate is identified in the contract, the rate for the specific service or function will be as set forth in applicable BellSouth tariff or as negotiated by the Parties upon request by either Party.



**BOULT-CUMMINGS
CONNERS-BERRY PLC**

Henry Walker
(615) 252-2363
Fax: (615) 252-6363
Email: hwalker@boultcummings.com

August 2, 2001

Guy M. Hicks, Esq.
BellSouth Telecommunications, Inc.
Suite 2101
333 Commerce Street
Nashville, TN 37201-3300



Re: Petition of MCI WorldCom to Enforce Interconnection Agreement with
BellSouth Telecommunications, Inc.
Docket No. 99-00662

Dear Guy:

On behalf of MCI WorldCom, I am responding to your letter of July 27, 2001. I appreciate the conciliatory tone of your letter and BellSouth's stated willingness to look into these disputes further in an effort to resolve them.

Nevertheless the contract requires that you pay now and argue later. Section 3.2.7 of Attachment VIII states, "BellSouth and MCI shall issue all Connectivity Bills in accordance with the terms and conditions set forth in this Section 3 ["Connectivity Billing and Recording.]" Section 3.1.15 states, "Subject to the terms of this Agreement, including without limitation Section 3.1.18 of this Attachment VIII [The "Bill Reconciliation" provisions] MCI shall pay BellSouth within thirty (30) days from the issue date of the bill." Pursuant to Section 3.2.7, quoted above, the same requirement applies when MCI metro bills BellSouth.

In other words, bills for connectivity must be paid within thirty (30) days. Following payment, either party, may invoke the "Bill Reconciliation" provisions as well as the "Audits and Examinations" provision set forth in Part A, Section 22. Should the "Bill Reconciliation" process show that a bill was incorrect, the Agreement provides for reimbursement or credits. Section 3.1.19. Similarly, there may be "adjustments, credits, or payments" made following an audit. Section 22.4 of Part A.

There is no provision in the Agreement stating that one party is entitled to withhold payment simply because the party disputes the accuracy of a bill.

The other issues raised in your letter merit a short response:

1. You state that MCI WorldCom may have incorrectly identified some "1+" calls as toll calls rather than local calls. As stated in the Agreement itself, local traffic is identified based on the "NXXs" of the originating and terminating numbers. I do not believe that the situation you describe applies to any customers located in the area served by MCI metro, but if you believe that MCI WorldCom has improperly identified any such calls, you can raise that issue in accordance with the "Bill Reconciliation" procedures in the Agreement.

Guy M. Hicks, Esq.
August 2, 2001
Page 2

2. The Agreement states (Part A, Section 1) that the interconnection rates contained therein shall remain in affect pending the adoption of a new contract. Absent an order from the TRA, BellSouth may not unilaterally change the reciprocal compensation rates contained in the Agreement. (Unlike some other carriers, MCI WorldCom has not elected to substitute the TRA's new UNE rates for the rates contained in the Agreement.)

3. The dispute over the number of minutes must be addressed using the "Billing Reconciliation" Procedures described in the Agreement.


I have come to the conclusion that the issues raised by BellSouth are not serious and, in any event, can be addressed under the procedures described in the Agreement. Given BellSouth's disregard for those procedures in favor of extra-legal, "self-help," I have further concluded that those individuals at BellSouth who have authorized payment of only one-third of the total amount MCI WorldCom is owed are willfully disobeying the intent of the TRA's July 12, 2001 Order. Should we have to take this matter back to the TRA, I will ask that Mr. Hendrix and others who are responsible for this decision be subpoenaed to testify before the agency. If I succeed in showing that BellSouth has willfully disregarded a TRA Order to pay reciprocal compensation, I'm sure you can appreciate the impact such a decision will likely have on other, pending regulatory dockets at the TRA and the FCC.

Please telephone Mickey Henry or me by the end of the day on Tuesday, August 6, regarding whether BellSouth intends to give MCI WorldCom a check for the entire amount of the bill. Following payment, BellSouth may then initiate the appropriate dispute resolution procedures as provided in the Agreement.

Thank you again for the cooperative attitude expressed in your letter. I regret I cannot answer in the same spirit.

Regards,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Henry Walker

HW/nl



BellSouth Telecommunications, Inc.
333 Commerce Street, Suite 2101
Nashville, TN 37201-3300

guy.hicks@bellsouth.com

Guy M. Hicks
General Counsel

615 214 6301
Fax 615 214 7406

July 27, 2001

VIA FACSIMILE 615/252-6363

Henry Walker, Esquire
Boult, Cummings, Connors & Berry
Post Office Box 198062
Nashville, Tennessee 37219-8062

Re: *Petition of MCI WorldCom to Enforce Interconnection Agreement with
BellSouth*
Docket No. 99-00662

Dear Henry:

Thank you for your letter of July 23, 2001. We have reviewed both your letter and the letter from Dan Aronson with our clients. We are hopeful that this response will assist the parties in resolving the remaining disputes with respect to MCI's claim and the TRA's recent Order.

As an initial matter, BellSouth wishes to make this clarification. While BellSouth has, as you know, strenuously argued that ISP traffic is interstate in nature and reciprocal compensation is not due for such traffic, BellSouth recognizes that the TRA has rejected BellSouth's position on that issue. Accordingly, BellSouth is no longer withholding any payment to MCI on the basis of that argument. BellSouth has now paid every cent that it was withholding solely on the basis of that position. As your correspondence implicitly recognizes, the remaining disputes between the parties arise out of the parties' differing views concerning either the construction of the contract between the parties or specific factual circumstances, and do not relate to BellSouth's legal position regarding ISP traffic. As you know, the TRA ordered BellSouth to pay amounts previously withheld that are "due" under the contract. The only remaining disputes relate to the appropriate calculation of what amount is actually "due."

Henry Walker, Esquire
July 27, 2001
Page 2

We appreciate your letters articulating MCI's position on these remaining disputes about the calculation of the amount owed, and we are hopeful that we can move toward resolution of these disputes by addressing each issue in turn:

1. Calculation of Amount of Traffic Using "Actual Charge Information."

As we understand it, MCI's position is that the use of "actual charge information" is permitted under the contract, rather than the use of a PLU factor in order to quantify the traffic on which reciprocal compensation is based. In our view, the agreement of the parties, as reflected by the contract, is that the PLU would be used for billing purposes and the parties never contemplated that they would attempt to determine, for every call exchanged, the particular jurisdiction of the call. MCI has come to this position late, and it does not reflect the agreement of the parties. Moreover, the appropriateness of BellSouth's position in this regard is obvious.

MCI has taken the position that, by using "actual charge information," it is able to determine the actual portion of local versus toll traffic sent to MCI by BellSouth, and that this is more accurate and therefore preferable to the use of the BellSouth provided PLU. Quite frankly, we are at a loss to understand how MCI could take the position that it is able to separate the traffic that BellSouth sends to MCI, so as to obtain "actual charge information." While it is quite true that we are sending ANI to MCI, MCI cannot possibly know which of our customers have elected a local calling plan that still requires the dialing of the call using "1+." Similarly, we do not understand how MCI could determine "actual charge information" regarding calls that were dialed using "1+," but that were actually toll free intracounty calls. That is precisely why the contract specifically calls for the use of a PLU, which BellSouth is required to provide to MCI after the end of each quarter. If your client can explain to us, which it has not been able to do to this point, how it is correctly identifying such calls, we will be happy to consider your client's position further. To put a point on this discussion, to the extent MCI is assuming that all "1+" calls are toll calls, rather than local calls, its "actual" charge information could not accurately reflect the portion of traffic that is local.

In the absence of an accurate manner in which to distinguish such "1+" dialed calls, BellSouth respectfully disagrees with the premise of MCI's argument

Henry Walker, Esquire
July 27, 2001
Page 3

that the "actual" data is available and therefore preferable to a calculation using the PLU.

2. Appropriate Procedure for "True Up."

We understand that MCI has taken the position that, even though a new rate has been ordered by the TRA, the contract requires BellSouth to operate on the basis of rates other than the TRA-ordered rates now in effect and seek reimbursement at a later date. We are surprised by this position in light of MCI's position to date before the TRA that the TRA-ordered UNE rates should be immediately available to MCI. It appears that MCI wants the "immediate" benefit of lower UNE rates ordered by the TRA in Docket No. 97-01262 with one exception. MCI does not want the end office switching rate ordered by the TRA because that rate would undercut MCI's \$10.2M claim.

BellSouth is willing to resolve this matter by executing an amendment to the agreement to provide that all of the TRA-ordered rates shall be applicable to MCI. If this is not an acceptable resolution of this issue to MCI, please explain which of the TRA-ordered rates MCI believes should, and which should not, be applicable to MCI.

3. Usage Disputes.

With respect to the usage discrepancy between the parties, BellSouth has attempted to explain its position and negotiate with MCI to determine the accurate figure. BellSouth does not believe that the discrepancy is attributable to inclusion of ported numbers as MCI has alleged. We understand that MCI contends that BellSouth is required to either pay the amount demanded or institute an audit proceeding pursuant to Section 22.2 of the Agreement.

BellSouth had hoped that the parties would be able to determine the accurate figure through exchange of information without triggering the audit or examination process contemplated by Section 22. However, if MCI prefers to address this discrepancy through the examination procedure, BellSouth will agree to institute the examination process under Section 22.4 of the Agreement in order to investigate the basis for MCI's inclusion of the 166 million minutes of use at issue. That section clearly anticipates that payment will be made regarding such a

Henry Walker, Esquire
July 27, 2001
Page 4

billing dispute only after the examining party receives the results of the audit or examination.

22.4 Adjustments, credits or payments, including any underbilling, shall be made and any corrective action shall commence within thirty (30) days from the audited or examined party's receipt of the final audit report to compensate for any errors or omissions which are disclosed by such Audit or Examination and are agreed to by the parties.

4. Application of Tariffed Rates.

We understand that MCI apparently disputes the 700,000 figure determined by BellSouth. Please clarify what MCI believes the correct figure to be and the basis for that figure.

5. Additional Payments.

As we understand your latest correspondence, MCI will revise its schedule to reflect all payments received by BellSouth since the schedule was created.

BellSouth respectfully rejects Mr. Aronson's assertion that it is "disregarding the TRA's order." BellSouth has already paid all amounts withheld solely on the basis of its ISP traffic argument. BellSouth is merely attempting to determine the correct amount owed under the terms of the parties' contract. We look forward to working with you to resolve these issues either through continued discussion or, if necessary, with the assistance of the TRA.

Sincerely yours,



Guy M. Hicks

GMH/jej



BOULT • CUMMINGS
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July 23, 2001

Guy M. Hicks, Esq.
BellSouth Telecommunications, Inc.
Suite 2101
333 Commerce Street
Nashville, TN 37201-3300

Re: Petition of MCI WorldCom to Enforce Interconnection Agreement with
BellSouth Telecommunications, Inc.
Docket No. 99-00662

Dear Guy:

Attached is the response from WorldCom concerning the \$10 million reciprocal compensation payment ordered by the TRA.

I'm told by WorldCom that BellSouth initially raised some of these same issues in Florida but that, when the FPSC staff set up a meeting and the BellSouth attorneys reviewed the issues, a settlement was quickly reached. The reason, I'm told, is that BellSouth's attorneys came to the conclusion that the arguments raised by Mr. Hendrix would not likely hold up in an enforcement proceeding. Judge for yourself:

1. The contract provides for the payment of reciprocal compensation for local calls. Local calls are defined in the contract based on NXXs and on BellSouth's tariffs. For that purpose, the contract requires BellSouth and MCI to exchange NXX information and CCS signaling information so that the parties will know exactly how to bill such calls.

The bills sent by MCI are based on actual usage, applying the NXX and CCS information described above. There is nothing in the contract requiring that MCI disregard that information and bill instead based on a PLU supplied by BellSouth. Absent such a provision, I don't think you will convince anyone that the parties should disregard actual usage in favor of an inaccurate PLU.

2. As soon as there is a new interconnection agreement in place with a new reciprocal compensation rate, BellSouth and WorldCom will do a true-up back to April, 2000. That's what the contract says. You can't do a true-up now just because you want to.

July 23, 2001
Page 2

3. According to the contract, each party bills the other for terminating minutes based on standard AMA recordings. If your own records show a different number of minutes, you can request an audit. You can't simply withhold payment. (I'm told that BellSouth's measurement of minutes going to WorldCom doesn't include minutes which go to ported numbers, hence the discrepancy.)

I think that if you take a look at the issues raised by Mr. Hendrix, read WorldCom's response, and review the contract itself, you will come to the conclusion that none of this warrants going back to the TRA.

In any event, WorldCom would appreciate a response from you or Mr. Hendrix to this letter by Wednesday so that WorldCom can decide how next to proceed. (Since both you and Charlie were on the phone when we last discussed this, I am copying him on this reply.

Sincerely,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Henry Walker

HW/nl

c: Charles Howorth, Esq.



Daniel Aronson
Director, Carrier Access Billing
500 Clinton Center Drive Clinton, MS 39056
Phone: 601-460-8060 Fax: 601-460-5115
Email: Daniel.Aronson@Wcom.com

July 20, 2001

Mr. Jerry Hendrix
BellSouth Telecommunications, Inc.
Room 34s91 BellSouth Center
675 West Peachtree Street, N.E.
Atlanta, Georgia 30375

Mr. Hendrix:

I am in receipt of your letter to Marcel Henry dated July 16, 2001 regarding your refusal to pay the full amounts due to WorldCom as ordered by the Tennessee Regulatory Authority (TRA) on June 15th, July 10th, and July 12th of this year.. As you are aware, the TRA orders require BellSouth to pay all amounts due by Friday, July 13th, and your withholding of approximately \$7.3 million of the \$10.2 million due constitutes a blatant violation of the TRA's clear order and a breach of the interconnection agreement (Agreement) between MCI and BellSouth

Regarding your assertions used to justify your non-payment, I have the following responses:

1. APPLICATION OF BELLSOUTH PROVIDED PERCENTAGE OF LOCAL USE FACTORS

Per the Agreement and preferred industry practices, MCI utilizes actual charge information provided to MCI from BellSouth via the SS7 signaling networks in determining the amount of traffic that is local and toll when developing its bills to BellSouth. BellSouth's withholding of \$3.5 million is based upon ignoring MCI's measurements and replacing them with BellSouth's own PLU, which is not allowed per the Agreement.

Per Attachment IV, Section 2.2.1.1 of the Agreement, BellSouth is to provide NXX information to allow the use of actual charge information:

2.2.1.1 BellSouth shall provide to MCI, on diskette(s) or in any other manner that the parties agree to, on a one-time basis when requested by MCI, an all-inclusive list (BellSouth, LEC, CLEC and EAS NXX's) of NXX's pertaining to section 2.2.1, above, that creates parity with that which BellSouth provides to itself. MCI may require, upon request, updates to this list.

Had MCI not intended to rate traffic on the basis of recorded indicators, provision of certain information indicated below would not have been stipulated in the contract. Per Attachment IV, Section 3.2, BellSouth is to provide signaling information necessary to allow actual billing:

"All CCS signaling parameters will be provided including automatic number identification (ANI), originating line information (OLI), calling party category, charge number, etc."

Mr. Jerry Hendrix

July 16, 2001

Page 2 of 2

Finally, Attachment IV, Section 7.3 provides that both parties are to provide total traffic volume broken out by call type (local, toll, and other)...as well as a PLU. Nowhere in the Agreement does it provide for BellSouth's to override MCI's measurements by use of their own PLU.

Attachment VIII, Section 3 sheds light on the parties intended use of PLUs. :

BellSouth shall bill MCI for the Connectivity Charges incurred; provided that, for those usage based Connectivity Charges where actual charge information is not determinable by BellSouth because the jurisdiction (i.e., interstate, interstate/interLATA, intrastate, intrastate/ intraLATA, local) of the traffic is unidentifiable, or for other reason, the parties shall jointly develop a process to determine the appropriate charges.

This language provides clear guidance that the parties intended for PLUs and other means to be used only in instances where actual charge information is not available. This was clearly not the case in the relationship between MCI and BellSouth.

2. APPLICATION OF TRUE UP

Per the Agreement, retroactive rates are only to be applied after a new agreement has been executed and approved. As this has not occurred in Tennessee between MCI and BellSouth, no true up is required. The Agreement does not allow parties to unilaterally apply a true up in anticipation of a new contract. Thus, the rate of \$.004 is the appropriate rate and BellSouth's \$2.6 million claim is not allowed per the Agreement.

3. USAGE DISPUTES

Per the Agreement, BellSouth has not properly raised its disputes regarding usage measurements, and thus your withholding of \$1 million is inappropriate and in violation of the contract. Per Section 7.1 of Attachment IV of the agreement, the carrier that is on the terminating end of the call (in the case MCI) is responsible for measuring usage and preparing the invoice. BellSouth's attempt to use originating usage as a means of developing charges is not allowed per the Agreement.

7.1 Each party shall calculate terminating interconnection minutes of use based on standard Automatic Message Accounting (AMA) recordings made within each party's network. These recordings being necessary for each party to generate bills to the other party

If BellSouth had sought support for MCI's usage measurements, the appropriate means to resolve such a dispute would have been for BellSouth to request an audit of MCI's records, Per Sections 22.2 of attachment A of the Agreement. The Agreement does not allow BellSouth to avoid the audit process and use its own unsupported estimated traffic measures as a means of avoiding payment.

22.2 Upon thirty (30) days written notice, either party shall have the right through its authorized representative to make an Audit or Examination, during normal business hours, of any records, accounts and processes which contain information bearing upon the provision of the services provided and performance standards agreed to under this Agreement. Within the above-

Mr. Jerry Hendrix
July 16, 2001
Page 3 of 3

described 30-day period, the parties shall reasonably agree upon the scope of the Audit or Examination, the documents and processes to be reviewed, and the time, place and manner in which the Audit or Examination shall be performed. Both parties agree to provide Audit or Examination support, including appropriate access to and use of facilities (e.g., conference rooms, telephones, copying machines).

4. APPLICATION OF MCI_m TARIFFED INTRASTATE ACCESS RATES

This matter has been brought to the attention of BellSouth in a variety of past conversations and items of correspondence. We have provided the pages with the tariffed rates to you repeatedly. We appreciate that you are now withdrawing this claim as unsupported. We do not accept your estimate of \$700,000 as the total amount due for intrastate access charges as the total computation is dependent both upon the invoiced usage, the jurisdiction as measured in accordance with the Agreement and the MCI_m tariffed rate.

5. ADDITIONAL PAYMENTS

Because your letter specifies no dates, amounts or associated invoice identification we are unable to address this issue other than to inform you that we were advised on the prescribed application of a payment in the amount of \$6,045.08 on July 10, 2001. This information had not been provided to us at the time the referenced schedule was created. We would expect to adjust the total amount due per our records accordingly.

In summary, Jerry, we believe that BellSouth is blatantly disregarding the clear order of the TRA, the Agreement, and traditional business and industry practices. We intend to alert the TRA of your actions and utilize any available legal means to enforce the TRA's order and the Agreement.

Sincerely,

Daniel Aronson

CC:

Mr. Jerry Hendrix
July 16, 2001
Page 4 of 4

per Jerry Hendrup
sent via email to
Marcel Henry
7/16/01

July 16, 2001

Mr. Marcel Henry
Title
Company
Address
City, State, Zip

Re: TN/MCI Payment

Dear Mr. Henry:

As I am sure you are aware, the Tennessee Regulatory Authority ordered BellSouth to pay MCImetro, under the April 4, 1997 Interconnection Agreement, for ISP-bound traffic at the end office rate. BellSouth has reviewed the information MCI provided to BellSouth regarding your calculation of the \$10.2M claim and has found some significant discrepancies in MCImetro's calculation.

First, BellSouth found that MCImetro used the incorrect Percent Local Usage ("PLU") factor in calculating the amount that BellSouth owes MCI. As you are aware, under Section 7.3 of Attachment V of the MCI/BellSouth Interconnection Agreement, BellSouth determines the PLU for BellSouth-originated traffic. Pursuant to Section 8.2, MCI may request an audit of the provided PLU factors. MCI does not, however, have the right to disregard the use of BellSouth's PLU for BellSouth originated traffic. As such, BellSouth has adjusted the amount paid to reflect the correct PLU. This adjustment is approximately \$3.5M.

Second, per its terms, the April 4, 1997 Interconnection Agreement expired on April 3, 2000. That Interconnection Agreement had a provision that provides that the rates, terms, and conditions agreed to in a subsequent agreement (i.e. the pending arbitration) will be retroactive back to the expiration date. Accordingly, BellSouth paid for local ISP usage at the rate of \$.004 through April 3, 2000, and, per the TRA's order in the 97-01262 docket (June 15, 2001), has applied the approved end off switching rate of \$.0008041 from April 4, 2000 to present. Because BellSouth paid reciprocal compensation for a time period (April 4, 2000

Mr. Marcel Henry
July 16, 2001
Page 2

through June 14, 2001), the effective date of the FCC's order confirming ISP traffic as interstate subject to FCC jurisdiction, that will be covered under the new agreement pending before the TRA, BellSouth reserves the right to true-up those amounts paid consistent with the TRA's anticipated Arbitration Order and FCC mandate. Using the correct end office rates as described above resulted in an adjustment of approximately \$2.6M.

Third, BellSouth found that MCImetro invoiced approximately 166 million minutes (of approximately 1.3 billion total minutes) of use that appear unsubstantiated. This discrepancy is the result of MCI reporting more terminating minutes than BellSouth's switches show that we originated. As such, BellSouth adjusted the amount paid to exclude these minutes. BellSouth would welcome the opportunity to discuss these minutes and the differences in our records. However, as the originating carrier, BellSouth believes that its records as to the amount of originated traffic are accurate. This difference of minutes of use resulted in an adjustment of approximately \$1M.

Fourth, MCImetro invoiced BellSouth for intraLATA access at rates of approximately \$.06 per minute of use. BellSouth could not confirm these rates at the time the payment was made. Subsequent to wiring the monies, BellSouth obtained a copy of MCImetro's tariff. Because at the time the monies were wired BellSouth did not possess the MCI tariff, BellSouth included in the already wired amount payment for the intraLATA access at BellSouth tariff rates. However, BellSouth plans to immediately make an additional payment to MCImetro based on the appropriate rates in MCI's tariff. This amount is valued at approximately \$.5M.

Finally, BellSouth made several payments to MCI that were not reflected on the MCI spreadsheet. After adjusting for unrecorded payments and the adjustments discussed above, together with the resulting reduction in interest penalties for MCImetro's overstated amounts due, BellSouth wired \$2,223,231 to MCImetro last night. BellSouth will make an additional payment to MCI of approximately \$500,000 as mentioned above to account for MCI's tariff intraLATA rates, which BellSouth would note are approximately 15 times higher than BellSouth's intraLATA rates. We stand ready to discuss the discrepancies between our switch's record of originating minutes versus MCI's claim of terminating minutes.

Mr. Marcel Henry
July 16, 2001
Page 3

If you have any questions, please contact me. Additionally, you can contact Richard McIntire at (205) 724-0246 for further information.

Sincerely,

Jerry D. Hendrix

cc: Kip Edenfield, BellSouth
Richard McIntire, BellSouth