

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Petition of MCI Tele-)
communications Corporation for Arbitration)
Pursuant to Section 252(b) of the Telecom-)
munications Act of 1996 to Establish an Inter-)
connection Agreement with Cincinnati Bell)
Telephone Company.)

Case No. 97-152-TP-ARB

ARBITRATION AWARD TABLE OF CONTENTS

I.	Background	1
II.	General Issues	4
	A. Mutual and Reciprocal Obligations (Issue 1)	4
	B. Suspension/Modification Requests (Issue 2)	5
III.	Interconnection (Issues 90 and 160)	8
IV.	Transmission and Routing of Local Traffic (Issue 18)	10
V.	Unbundled Network Elements	11
	A. Unbundling (Issue 108)	11
	B. Combinations (Issues 20, 120, and 121)	12
	C. Provisioning Network Elements (Issues 21, 122, 123, 127 and 128)	13
VI.	Collocation (Issues 178, 180, 181, and 183)	19
VII.	Rates for Traffic Exchange and Unbundled Network Elements (Issues 14 and 22)	27
VIII.	Resale	32
	A. Resale Services and Restrictions (Issues 25, 27, 29, 137, and 173)	32
	B. Discount Methodology (Issue 26)	39
	C. Other Resale Issues (Issue 37)	44
IX.	Number Portability (Issues 51 and 52)	47
X.	Performance Standards (Issues 97, 98, 135, 136, and 202)	49

This is to certify that the images appearing are an
accurate and complete reproduction of a case file
document delivered in the regular course of business.
Mechanician *Rose M. Mc* Date Processed *Aug 15, 1997*

VII. Rates for Traffic Exchange and Unbundled Network Elements

Issue 14. What are the appropriate reciprocal compensation arrangements for transport and termination of local traffic pursuant to Section 251(b)(5) of the 1996 Act (Article IV, §4.7)?

The panel stated that MCI's switch should be considered to be a tandem switch and, therefore, MCI would be entitled to the tandem compensation rates when MCI is interconnected at CBT's tandem switch. However, if MCI interconnects at a CBT end office (thereby avoiding CBT's tandem switch charges), the panel recommended that MCI not be entitled to receive tandem switch charges. The panel concluded that MCI has a right to two-way trunking, a right which would be negated by granting CBT's request to route its terminating traffic over a different facility. Furthermore, the panel recommended that mutual, reciprocal compensation be required between the parties, using the interim rates recommended by the panel in issue 22, *infra*.

MCI excepted to the panel's recommendation because it does not believe its switch functionality is dependent on where it interconnects with CBT's network. MCI also argues that, in the MCI/Ameritech arbitration, the Commission determined MCI's switch to be a tandem switch and, therefore, the compensation associated with tandem interconnection should be what MCI receives regardless of whether it interconnects at the ILEC's end office or access tandem. *In the Matter of the Petition of MCI Telecommunications Corporation for Arbitration with Ameritech Ohio*, Case No. 96-888-TP-ARB, Arbitration Award at 17-19 (January 9, 1997). CBT believes the panel correctly determined that the FCC's concern over mutual traffic exchange went to the symmetrical application of rates and was not intended to become a windfall for MCI. In CBT's view, the concept of "mutual and reciprocal" compensation was developed in an effort to balance the payments passed between two carriers, unless there is a traffic imbalance.

Arbitration Award: MCI misinterprets our Award in the MCI/Ameritech arbitration. On page 18 of that Award the Commission stated: "MCI's request that Ameritech pay MCI the tandem office interconnection rate for transport and termination of calls on MCI's network is granted. The reciprocal compensation rate for the term of the interconnection agreement for transport and termination is the panel's recommended interim tandem switching rate of \$.0015 per MOU, until revised in our 96-922 proceeding." This award addressed MCI's desire, as summarized on page 16 of that Award, that, "...where its switch serves a comparable geographic area to that served by Ameritech's tandem switch, Ameritech must pay MCI a symmetrical rate to that which MCI pays for transport and termination through Ameritech's tandem switch." Therefore, MCI received what it requested, that it would get compensation equivalent to tandem interconnection when it had to pay such to Ameritech. We reach the same conclusions here. Given that symmetry was and is MCI's continued desire, the Commission wishes to make clear that, where MCI is interconnected at CBT's end office, the rate it pays CBT for that end office interconnection shall also be what it receives. Of course, if CBT is return-

ing interconnecting traffic to MCI over MCI's trunks, CBT shall compensate MCI for the use of those MCI owned two-way trunks.

Issue 22. What should be the prices for the UNEs (Article IX, §9.7, and Pricing Schedule)?

Both CBT and MCI agreed to the establishment of interim rates subject to a true-up following the Commission's decision in its March 26, 1997 Entry (CBT Ex. 16, at 16; MCI Ex. 1, at 29). MCI recommended that the interim rates established for unbundled loops, unbundled ports, and reciprocal compensation for transport and termination of local traffic in this arbitration proceeding be set at the same rates adopted by the Commission in MCI/Ameritech arbitration. *Ameritech, supra*, Arbitration Award at 18. MCI advocated, consistent with the Commission's decision in *Ameritech*, that the interim rates for dedicated transport, common transport, collocation (physical and virtual), and nonrecurring charges should be set at CBT's tariffs rates (MCI Ex. 1A at Attach. 2). CBT suggested that the Commission set some interim rates at the TELRIC-based rates for network elements based upon its TELRIC studies and set interim rates for the remaining elements at CBT's tariff rates (CBT Ex. 10, at 2-4, 6, 9, and Attach. 1).

The panel found that MCI's proposal to utilize interim prices from another arbitration proceeding, which are based on Ameritech's forward-looking economic costs and not CBT's forward-looking economic costs, for the interconnection agreement between MCI and CBT is unreasonable and inconsistent with the Commission's guidelines. The panel shared MCI's concerns regarding the assumptions and the lack of supporting documentation in CBT's TELRIC studies, noting that CBT's proposed prices for rate elements not subject to its suspension/modification application include a common costs markup that is much higher than the 10 percent allowed under Guideline V.C.3.ii. Therefore, the panel recommended that CBT's proposed TELRIC costs be adopted on an interim basis for the purpose of setting interim prices, but that the common cost markup be set at 10 percent. For the elements or services that CBT currently provides via tariffs, the panel recommended that the current applicable CBT-tariffed rates be adopted as interim prices. Additionally, the panel found CBT's proposed rate structure to be reasonable, except for Centrex, ISDN, and vertical switch features. The panel then listed its proposed rates for the different UNEs. With respect to network interface devices (NIDs), the panel acknowledged that both parties seem to agree that the cost of the NID is included in the unbundled loops cost (Tr. I, at 133). The panel, therefore, recommended that a NID be provided to MCI with each loop purchased and be included in the loop rate. As for unbundled local switching, the panel stated that it should be provided by CBT to MCI on a per minute-of-usage (MOU) basis, at the interim rate of \$.003782 per MOU, and the rate, if adopted, should function as a blended rate that includes the switching matrix and feature functionality.


Both parties filed objections to the panel's recommendations for issue 22. In its exceptions to the panel report, CBT objects to the panel's recommendation for a common cost fixed allocator of 10 percent and argues that it should be authorized to charge

ORDERED, That this Arbitration Award does not constitute state action for the purpose of the antitrust laws. It is not our intent to insulate either party to the contract from the provisions of any state or federal law which prohibits the restraint of trade. It is, further,

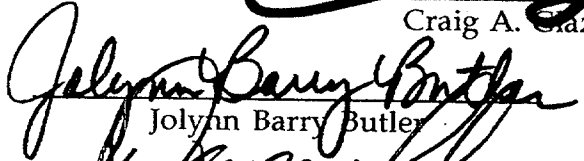
ORDERED, That this docket shall remain open until further order of the Commission. It is, further,

ORDERED, That a copy of this Arbitration Award be served upon MCI, CBT, all certified NECs and those with pending certification applications, all ILECs who have received requests for interconnection, and any interested persons of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



Craig A. Glazer, Chairman



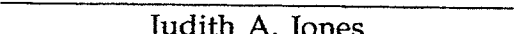
Jolynn Barry Butler



Ronda Hartman Fergus



David W. Johnson



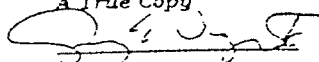
Judith A. Jones

GLP/JB/ARF/DEM/HJM/NLS/ALW;geb

Entered in the Journal

AUG 14 1997

A True Copy



Gary E. Vigorito
Secretary