

Intercarrier Compensation

Review of other plans

Cost-Based Intercarrier
Compensation Coalition

CBICC

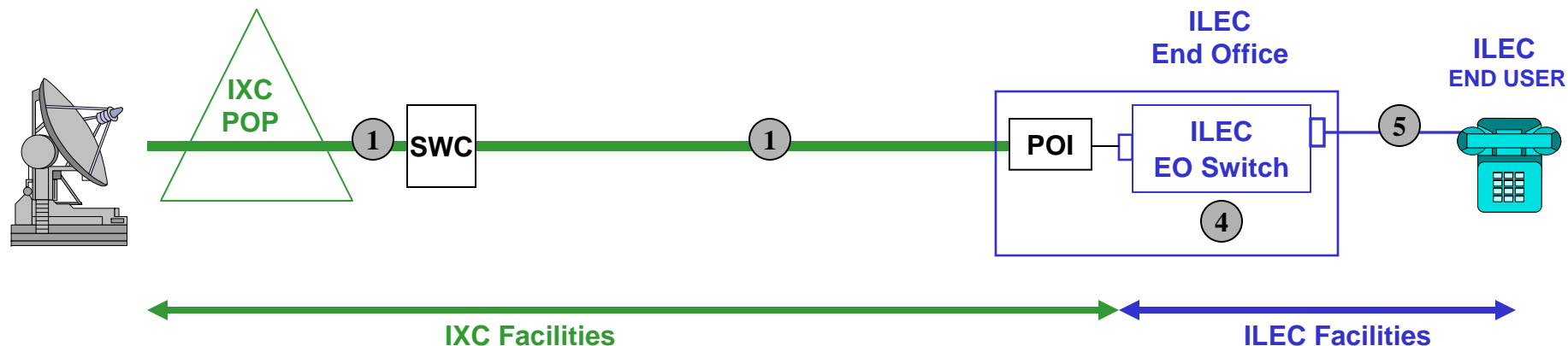
ICF Plan

- Bill and Keep
- Shift Interconnection Costs to ABI
(“anyone but an ILEC”)

What's wrong with Bill & Keep (non-legal)

- Arbitrage has two causes, a) different prices for the same service, and b) price different than underlying cost.
- Unified rate cures first problem, a rate of zero leaves second problem in place.
- Changes national paradigm for cost recovery (Calling Party Pays)
- Ignores cost-causation, substitutes “recognition of shared benefits.”

IXC & ILEC Traffic – End Office Routed



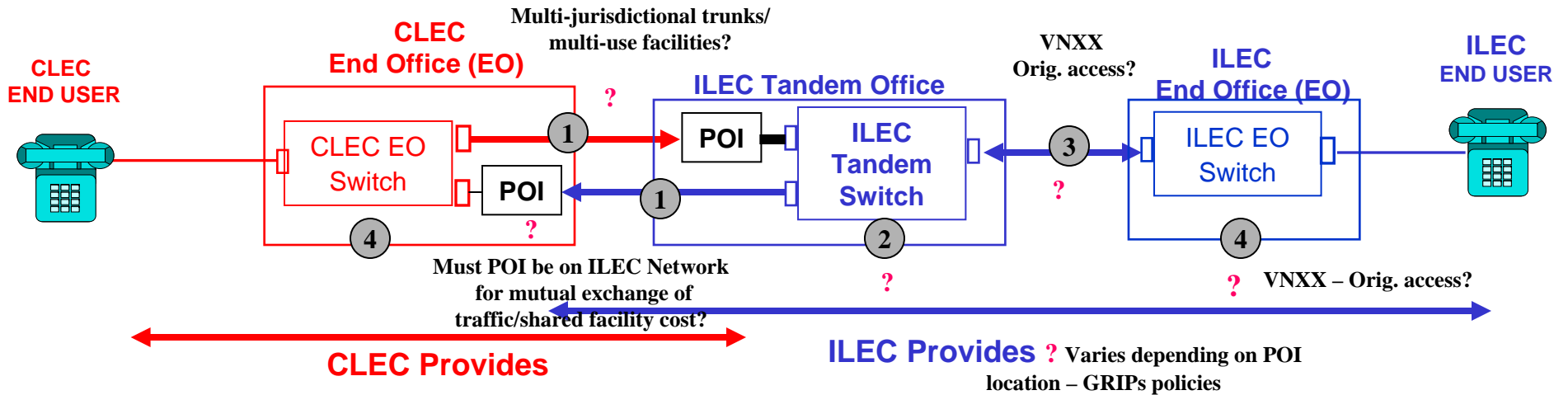
Financial Responsibility: IXC financially responsible for the cost of both directions of traffic from the ILEC end-user to IXC POP. Subject to widely varying rates depending on jurisdiction (interstate/intrastate) and widely varying local/long distance calling scopes.

For Both Directions of Traffic

	NETWORK FUNCTION	PAID BY	PAID TO
1	Dedicated Transport	IXC	Dedicated Transport Provider*
4	End Office Switching	IXC	ILEC
5	Common Line	IXC	ILEC

*IXC may self-provision.

CLEC & ILEC Traffic – Tandem Routed



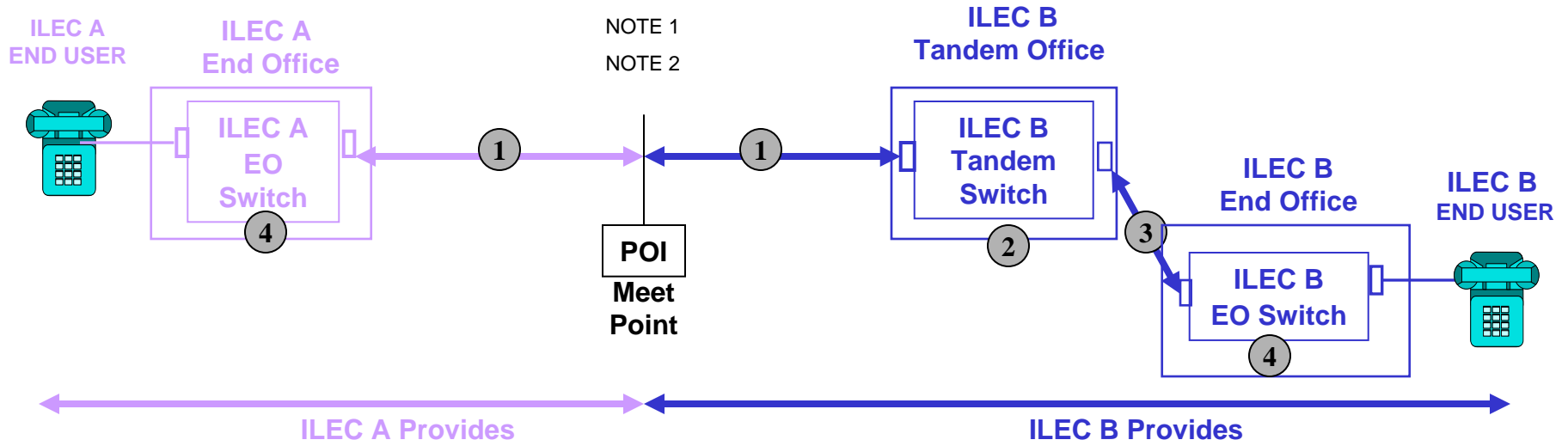
Financial Responsibility: CPNP.

Areas of Dispute: 1) Section 51.711(a)(3)(application of the tandem rate rule); 2) Use of Virtual NXX;
3) Network Function 1 may be subject to dispute regarding both physical & financial responsibility.

		Originating from CLEC		Originating from ILEC	
	NETWORK FUNCTION	PAID BY	PAID TO	PAID BY	PAID TO
1	Dedicated Transport	CLEC	Dedicated Transport Provider*	ILEC	CLEC
2	Tandem Switching	CLEC	ILEC	N/A	N/A
3	Common Transport	CLEC	ILEC	N/A	N/A
4	End Office Switching	CLEC	ILEC	ILEC	CLEC

*CLEC may self-provision.

ILEC to ILEC



Financial Responsibility: Each company is responsible for facilities on its side of the POI or meet point. Generally, the financial responsibility is Calling Party Network Pays (CPNP). However, varying rate structures lead to asymmetrical charges and transport obligations. Often times the compensation arrangement is bill and keep.

	NETWORK FUNCTION	Originating from ILEC A		Originating from ILEC B	
		PAID BY	PAID TO	PAID BY	PAID TO
1	Transport – jointly provisioned	Note 3	Note 3	Note 3	Note 3
2	Tandem Switching	ILEC A	ILEC B	N/A	N/A
3	Common Transport	ILEC A	ILEC B	N/A	N/A
4	End Office Switching	ILEC A	ILEC B	ILEC B	ILEC A

Note 1 – Carries traffic from a variety of carriers.

Note 2 – Separate facilities are established between the ICO and ILEC for carrying EAS type traffic.

Note 3 – Each ILEC provides facilities for both originating and terminating traffic to the POI or meet point.

ARIC/EPG

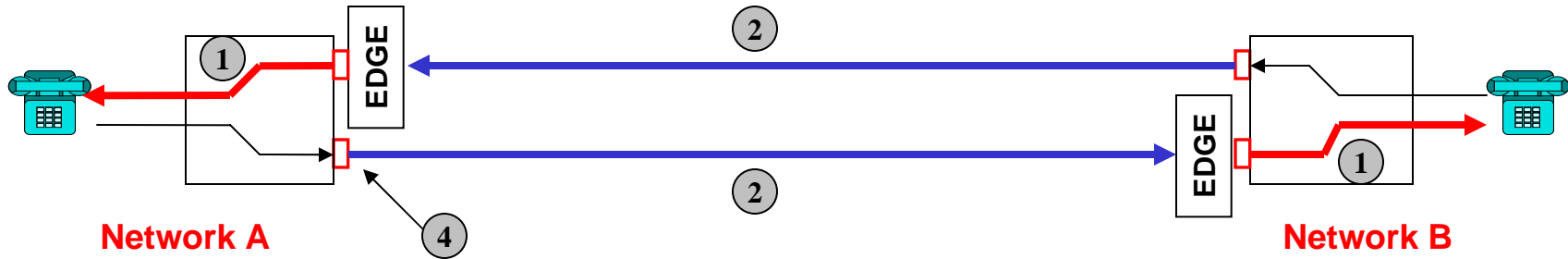
- Principles generally right
- ICC rates may be right for RLECs, but are too high for other carriers (above costs)
- CBICC relying on RLEC/NASUCA expertise to get USF right
- Concern regarding IP-facilitated traffic should be addressed in the context of exchanging packets – exchanging circuit switched traffic is severable

NARUC “Straw” Proposal

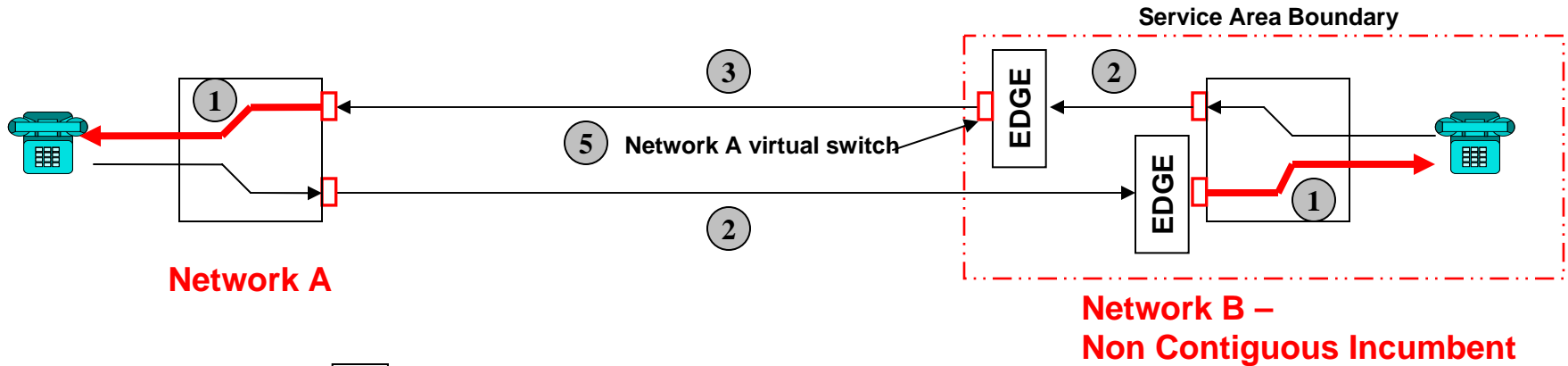
- Principles are right
- Range of rates is right
- USF can be right (work w/ ARIC/EPG/NASUCA)
- Tandem-transit solution should rely on cost-based rates until incumbent market-power assessed
- “Edge” interconnection proposal may be OK if pro-ILEC characteristics eliminated
- Capacity-based interconnection may be OK – depends on implementation

STRAW Plan – Direct Interconnection

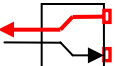

Basic Case – Between Two Contiguous Networks



Between a Network and a Non-Contiguous Network



Legend:

- | | | | |
|---|---------------------------------------|---|---|
|  | Switching and Intra-Network Transport |  | =Port |
| ① | Termination (Steps 4-6) | ④ | |
| ② | Interconnection Transport | ⑤ | Network A virtual switch in service area of Network B |
| ③ | Network A extension into Network B | | |