

DOUGLAS G. BONNER
ATTORNEY-AT-LAW

SWIDLER
&
BERLIN
CHARTERED

DIRECT DIAL
(202)424-7701

December 7, 1996

VIA FEDERAL EXPRESS

Steve McLellan, Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive, S.W.
Olympia, Washington 98504

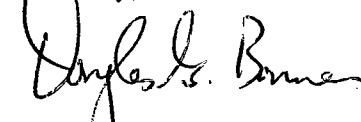
Re: WUTC Docket No. UT-960323

Dear Mr. McLellan:

Enclosed for filing are an original and nineteen (19) copies of MFS Communications Company, Inc.'s Memorandum Requesting Approval of Arbitrated Interconnection Agreement and Proposed Form of Order in the above-referenced Commission docket. By prior agreement with US West Communications, Inc. ("US West"), the signed arbitrated interconnection agreement is to be filed by US West's counsel of record on December 9, 1996 with the Commission. That filing is to include MFS' signature page, which was transmitted to US West counsel's office on Friday, December 6, 1996.

Thank you for your attention to this matter.

Sincerely,


Douglas G. Bonner

Enclosures

cc: Lisa A. Anderl, Senior Attorney,
US WEST, Inc. (w/encls.) (via federal express)
Commission Service List

176197.1

RECEIVED
DEPARTMENT OF
96 DEC 10 AM 9:43
STAFF
UTILITY AND TRANSPORTATION
COMMISSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition for Arbitration)
of an Interconnection Agreement Between)
)
MFS Communications Company, Inc. and)
US WEST Communications, Inc.)
)
Pursuant to 47 U.S.C. § 252.)
)
)
)
.....)

DOCKET NO. UT-960323

**MFS' MEMORANDUM
REQUESTING APPROVAL OF
ARBITRATED INTERCONNECTION
AGREEMENT**

RECEIVED
RECORDS MANAGEMENT
96 DEC -9 PM 12:51
STEFAN WASH.
UTIL. AND TRANSP.
COMMISSION

Douglas G. Bonner
SWIDLER & BERLIN, Chartered
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
Phone: (202) 424-7500
Fax: (202) 424-7643

**Attorneys for MFS Communications
Company, Inc.**

002693

Table of Contents

I. INTRODUCTION 1

II. SUMMARY OF MAIN PROVISIONS OF THE AGREEMENT 4

 A. Scope and Definitions 4

 B. Rates and Charges 5

 C. Reciprocal Traffic Exchange 5

 D. Interconnection and Collocation 6

 E. Interim Number Portability 6

 F. Directory Listings and Directory Assistance 6

 G. 911/E-911 Service 7

 H. Network Element Unbundling 7

 I. Resale 8

 J. Implementation Schedule 9

 K. Miscellaneous 9

III. ONE PORTION OF THE AGREEMENT SHOULD BE REJECTED 9

 A. The Lack of Deaveraged Unbundled Loop Rates in the Agreement Is
 Inconsistent with the '96 Act, Because They Are Not Based on Cost 10

IV. THE REMAINDER OF THE AGREEMENT SHOULD BE APPROVED 11

 A. The Negotiated Portions of the Agreement Are Consistent with the Public
 Interest and Are Not Discriminatory 11

 B. The Arbitrated Provisions, Except as Identified Above, Are Consistent with
 the '96 Act and Should Be Approved 12

V. CONCLUSION 14

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition for Arbitration)
of an Interconnection Agreement Between)
MFS Communications Company, Inc. and)
US WEST Communications, Inc.)
Pursuant to 47 U.S.C. § 252.)
.....)

DOCKET NO. UT-960323

**MFS' MEMORANDUM
REQUESTING APPROVAL OF
ARBITRATED INTERCONNECTION
AGREEMENT**

MFS Communications Company, Inc. ("MFS"), by its undersigned attorneys, hereby submits this Memorandum, pursuant to the *Arbitrator's Report and Decision* issued on November 8, 1996 ("Arbitration Decision") and the Commission's *Interpretive and Policy Statement* issued on June 27, 1996 in Docket No. UT-960269, in support of its request that the Commission approve an interconnection agreement (the "Agreement") between itself and U S WEST Communications, Inc. ("U S WEST" or "USWC"). The agreement was reached partially through negotiation, and partially through arbitration by the Commission in its November 8, 1996 Arbitration Decision in the above-captioned docket.

I. INTRODUCTION

On February 8, 1996, President Clinton signed into law the Telecommunications Act of 1996, Pub. L. 104-104 (the "'96 Act"), which enacted major changes in the Nation's regulatory

structure for telecommunications services.¹ Among other things, this law adopted Sections 251 and 252, creating an entirely new set of duties for local exchange carriers to engage in negotiation and arbitration of agreements covering interconnection of networks, access to unbundled network elements, resale of local exchange services, and a variety of other arrangements.

On the same day, U S WEST received a request from MFS for negotiation of such an agreement. Over the ensuing months, MFS made diligent efforts to reach agreement with U S WEST on interconnection, unbundling, resale, and related issues, but was repeatedly rebuffed by the incumbent carrier. On June 24, 1996 MFS filed with this Commission a petition for arbitration of unresolved issues pursuant to Section 252(b) of the '96 Act. At that time, the two companies had not reached agreement on any of the material issues relating to performance of the Section 251 duties. The Commission designated an arbitrator who conducted evidentiary hearings on September 18 and 19. The parties continued to negotiate during and after the arbitration hearing, and submitted final offers in the form of an October 2 Joint Position Statement. The parties filed posthearing briefs on October 8, 1996.

The Commission resolved the disputed issues in its Arbitrator's Report and Decision issued November 8, 1996 (the "Arbitration Decision"), in which it addressed twenty-two individual issues that had been highlighted by the parties in the Joint Position Statement. The Arbitration Decision ordered the parties to prepare and file an interconnection agreement consistent with the terms of the

¹ Citations herein to the '96 Act refer to the provisions of the Communications Act of 1934 as added or amended by the '96 Act.

Arbitrator's report to the Commission within 30 days, pursuant to the requirements of the WUTC's "*Interpretive and Policy Statement*."²

The Arbitration Decision, the Commission's *Interpretive and Policy Statement*, and 47 USC § 252(e)(1) all require that an interconnection agreement complying with the Commission's resolution of the issues shall be submitted for approval. MFS has therefore complied with these requirements and incorporated all of the Commission's resolutions into the proposed agreement. MFS, with one exception, believes that the Arbitrated Agreement is a satisfactory one, and meets the requirements of Sections 251 and 252 of the '96 Act, this Commission's decisions, and though not mandatory, the FCC's First Report and Order implementing the '96 Act.³ The one specific provision which MFS believes should be rejected or modified is identified specifically in Section III of this Memorandum.

The Commission's *Interpretive and Policy Statement* requires that this Memorandum summarize the main provisions of the agreement, set forth MFS' position as to why the agreement should be adopted (and why certain provisions should be rejected), and (a) as to those portions of the agreement that were negotiated, a statement as to why the agreement does not discriminate against non-party telecommunications carriers, is consistent with the public interest, convenience, and necessity, and is consistent with applicable state law requirements, and (b) as to those portions of the agreement that were arbitrated, a statement as to how the agreement meets (or does not meet)

² *In the Matter of Implementation of Certain Provisions of the Telecommunications Act of 1996*, Docket No. UT-960269, Interpretive and Policy Statement Regarding Negotiation, Mediation, Arbitration, and Approval of Agreements Under the Telecommunications Act of 1996 (June 27, 1996) ("*Interpretive and Policy Statement*").

³ The pricing rules of the FCC's First Report and Order have been stayed by Order of the U.S. Court of Appeals of the Eighth Circuit issued on October 15, 1996.

each of the applicable specific requirements of 47 U.S.C. § 251, including any applicable Federal Communications Commission requirements, and specific information to enable the Commission to make the determinations required by 47 U.S.C. § 252(d). This information is set forth in the following sections. Finally, a proposed form of order containing findings and conclusions is attached as Appendix A.

II. SUMMARY OF MAIN PROVISIONS OF THE AGREEMENT

A. Scope and Definitions

Sections I and II of the Agreement outline the scope and effect of the Agreement. Section I identifies the Parties (MFS and U S WEST), recites the fact that the Agreement is a combination of negotiated and arbitrated provisions, and provides that each Party enters into the Agreement without prejudice to any position it may take in any public forum concerning any of the matters addressed by the Agreement. Section II states that the purpose of the Agreement is to set forth terms, conditions, and prices under which (1) U S WEST agrees to provide local exchange services to MFS for resale; (2) U S WEST agrees to provide network elements and combinations thereof to MFS for its use in providing telecommunications services; (3) both Parties agree to interconnect with each other's networks; and (4) both Parties agree to provide reciprocal compensation for the exchange of local traffic. Section II also provides that the Agreement is not intended to resolve issues relating to U S WEST's and MFS' divergent positions relating to Universal Service issues and U S WEST's claims relating to recovery of embedded costs.

Section III of the Agreement contains definitions that are used throughout the document. Most of these definitions were non-controversial and simply provide convenient means of referring to services, functions, or other concepts drawn from the '96 Act. The only disagreement among

definitions pertained to the definition of "RR. Routing Point" at p. 7 of the Arbitration Agreement. However, the Arbitration Decision adopts MFS' position (Arbitration Decision at 31), which as the Arbitration Decision discussed, is consistent with an incumbent LEC's duty to provide for interconnection "at any technically feasible point within the carrier's network." 47 U.S.C. § 251(c)(2)(B). Further, US West did not argue that MFS' interconnection proposal was not technically feasible. Arbitration Decision at 31.

B. Rates and Charges

Section IV of the Agreement incorporates the schedule of prices contained in Appendix A (pp. 93-99) to the Agreement. Most of these prices were specifically arbitrated by the Commission; *see* Arbitration Decision at Appendix A (Joint Position Statement, Appendix A, pp. 1-6)(filed October 14, 1996). Further, the Commission approved rates only on an interim basis, to "remain in effect pending the outcome of the Commission's generic pricing proceeding." *Id.* at 4; *see also id.* at 2.

C. Reciprocal Traffic Exchange

Section V of the Agreement addresses the exchange of traffic between MFS and U S WEST, so that end users served by one carrier can call end users served by the others. For toll calls, this traffic exchange will be based on switched access tariffs. For local calls, compensation will be based on the rates prescribed by the Commission. This section also provides for the completion of transit traffic, which is a call between MFS and a third-party local exchange carrier (for example, an incumbent independent LEC, a wireless carrier, or another competitive entrant) that is routed through a U S WEST tandem. It further provides for the completion of a variety of ancillary call

types, such as 911 and E911 emergency calls, directory assistance and operator assistance calls, toll-free 800 and 888 calls, and the like.

D. Interconnection and Collocation

Section VI of the Agreement provides terms and conditions for the physical linking of the MFS and U S WEST networks for the mutual exchange of traffic and for MFS access to unbundled network elements. The Agreement allows for a variety of methods of interconnection, including virtual or physical collocation, entrance facilities, and meet-point arrangements. This section also details the various types of trunk groups that the Parties will configure for routing of different types of traffic between their networks. Terms and conditions for collocation are spelled out in more detail in Section VII, and Appendix C to the Agreement is a standard form of agreement for Physical Collocation.

E. Interim Number Portability

In Section VIII, the Parties agree to provide each other with interim number portability using remote call forwarding, direct inward dialing, and NXX migration until such time as permanent number portability is implemented pursuant to FCC or Commission requirements. As directed by the Commission in the Arbitration Decision, at 28-29, the costs associated with interim number portability will be apportioned among all carriers providing local exchange service based upon each carrier's number of ported telephone numbers relative to the total number of active telephone numbers in the local service area.

F. Directory Listings and Directory Assistance

In Section XIV of the Agreement, U S WEST agrees (1) to provide MFS' operators on-line access to the U S WEST directory assistance database; (2) to provide unbranded directory assistance

service for resale by MFS and, where technically feasible, branded directory assistance service, at a price of 34 cents per call; (3) to permit MFS to license the U S WEST directory assistance database for use in providing competitive directory assistance services; and (4) to provide optional call completion service in conjunction with resold directory assistance service, at an additional charge of 35 cents per call.

In Section XV of the Agreement, U S WEST also agrees to place one primary listing for each MFS end user in its listing database at no charge, and to provide premium listing services (*e.g.*, additional, foreign, cross reference, informational, etc.) to MFS end users at tariffed rates. These listings will be incorporated into the White Pages directories published on U S WEST's behalf. The Agreement includes provisions for protecting the confidentiality of non-listed and non-published numbers, and requiring compliance with other applicable State laws. (*See* paragraphs XV.B.1 and XV.C.3.)

G. 911/E-911 Service

Section XX of the Agreement provides for MFS to participate in the provision of 911 services in those counties in which U S WEST is the primary provider of 911 service. Under the Agreement, MFS will provide current end user data to U S WEST for incorporation into the ALI (Automatic Location Information) database used by 911 agencies to locate the source of an emergency call. MFS and U S WEST will cooperate to ensure that emergency calls are correctly routed, and to correct any database errors or other problems.

H. Network Element Unbundling

Section XXXI of the Agreement contains terms and conditions for U S WEST's provision to MFS of seven unbundled network elements. Additional terms and conditions relating to particular

elements are contained in other sections of the Agreement as noted in the following list. The seven elements are as follows: (1) local loops, (2) local and tandem switching, (3) interoffice transmission facilities, (4) network interface devices, (5) signaling and call-related database facilities (Sections XVIII and XXVII), (6) operations support systems functions, and (7) operator and directory assistance facilities (Sections XI - XIV).

With respect to unbundled loops, U S WEST agrees to provide both 2-wire and 4-wire loop facilities upon request. The unbundled loop will include transmission facilities between the USWC distribution frame in the central office up to and including the USWC network interface device located at an end user's premises. The Agreement provides for cutover of existing loops from USWC local exchange service to MFS local exchange service upon the request of a customer.

In addition, Section XXIII of the Agreement establishes a process for MFS to request the unbundling of additional network elements, in order to account for unforeseen future changes in technology, network design, and customer needs.

I. Resale

Section XXX contains terms and conditions under which USWC will make its services available to MFS for resale. Certain services, including residence exchange service, and switched and special access services will be made available for resale at tariffed rates, with no discounts. *See* Agreement, Appendix A at 98. All other local exchange services will be made available for resale at a wholesale discount (*id.*) the amount of which has been determined by the Commission. *See* Arbitration Decision at 14-15. The Agreement establishes procedures for ordering and maintenance of resold services, and delineates the responsibilities of each of the Parties.

J. Implementation Schedule

Section XXXIII of the Agreement contains an agreed implementation schedule. The Parties agree to make a good faith effort to complete the items listed in this section within 6 months of the date of final approval of the Agreement.

K. Miscellaneous

The sections of the Agreement not specifically referenced above contain a variety of miscellaneous terms and conditions, including ancillary services to be provided by USWC to MFS, and various procedural provisions. Paragraph XXXIV.V provides that the Agreement will be effective for a period of 2 1/2 years, and shall continue in effect thereafter unless and until the parties negotiate and obtain approval of a successor agreement.

III. ONE PORTION OF THE AGREEMENT SHOULD BE REJECTED.

Section 252(e)(2) of the '96 Act expressly provides that a State commission may approve or reject an entire agreement, or may reject certain portions of an agreement while approving the rest. As set forth in Section IV, below, the Agreement is generally consistent with the public interest and satisfies the standards for approval. For the reasons set forth below, however, the Commission should reject one discrete provision adopted in arbitration (and, in effect, reconsider this one aspect of its Arbitration Decision) because this provision is not consistent with the requirements of Section 252 of the '96 Act. The Commission should require that this provision be amended to comply with the statutory requirements, as explained in the following section, and promptly be resubmitted for approval.

A. The Lack of Deaveraged Unbundled Loop Rates in the Agreement Is Inconsistent with the '96 Act, Because They Are Not Based on Cost.

The MFS-proposed unbundled loop rate of \$13.37 per month for unbundled local loops imposed by the Arbitration Decision was appropriately decided in accordance with MFS' offer and was certainly the more reasonable unbundled loop rate proposed by either party, taking into account the Commission's recently affirmed *Fifteenth Supplemental Order*⁴ (in which this Commission determined that \$14.00 1FR service covers its costs) and US West's own June 1996 tariff filing for multiline business LIS link of \$16.83, based upon US West's own TSLRIC. Arbitration Decision at 3-7.

However, because it is a geographically averaged as opposed to deaveraged rate, it is not "based on" the actual cost characteristics of unbundled loops. Section 252(d)(1) of the '96 Act, requires that rates for unbundled network elements "shall" be "based on the cost (determined without reference to a rate-of-return or other rate-based proceeding) of providing the . . . network element," and "may" include a reasonable profit.

The unbundled loop rate is not "based on cost" because it is a geographically averaged rate that ignores undisputed geographic cost differences in the provision of loops. MFS witness Porter testified that loop costs are affected by a number of geographic factors, including especially loop length. Ex. MFS-2 DNP-T at 21-22. U S WEST did not contest this testimony—to the contrary, it agrees that loop costs are not geographically uniform, but has argued that loop prices should not be deaveraged until the Commission has had an opportunity to deaverage the prices of U S WEST's retail offerings. *See* Arbitration Decision at 8. The problem with U S WEST's position, and with the Commission's adoption of it in the Arbitration Decision (*id.*), is that the '96 Act requires that

⁴ "Summary Decision and Order Affirming Commission on All Aspects in the Rate Case," US West Communications, Inc. v. Washington Utilities and Transportation Commission, King County, Washington Superior Court Case No. 96-2-09623-7 SEA (Nov. 25, 1996)(Lasnik, J.)

loop rates be “based on cost” immediately, and does not allow compliance with the statutory cost standards to be deferred until some future restructuring of retail rates. This is the fundamental flaw in the Arbitration Decision’s finding that “[g]eographic deaveraging of unbundled loop rates is inconsistent with the Commission’s decision against adopting retail rate deaveraging in the most recent USWC rate case.” *Id.*⁵ To the contrary, by providing that unbundled network element rates must be determined “without reference to a rate-of-return or *other rate-based proceeding*” (emphasis added), the ‘96 Act expressly requires, at a minimum, that unbundled network element rates be set *independent of* any proceeding affecting retail rates.

The Commission should therefore require the Parties to resubmit an agreement containing geographically deaveraged rates based upon the evidence proposing deaveraged loop proxy rates presented by MFS in arbitration.

IV. THE REMAINDER OF THE AGREEMENT SHOULD BE APPROVED

A. The Negotiated Portions of the Agreement Are Consistent with the Public Interest and Are Not Discriminatory

As discussed above, most provisions of the Agreement were agreed upon through negotiations between MFS and U S WEST subsequent to the arbitration hearing. In MFS’ opinion, these negotiated provisions are entirely consistent with the public interest as well as with applicable State laws. First, the negotiated provisions specifically address each one of the duties imposed on LECs by Section 251(b)(1) through (5) of the ‘96 Act, as well as the duties imposed on incumbent LECs by Section 252(c)(2) through (6). The Agreement is therefore consistent with the intent of Congress that these duties should be performed, and promotes competition in local exchange service

⁵ The Arbitration Decision cites the Commission’s *Fifteenth Supplemental Order* (Rate Case Order) at 106-107.

consistent with the intent of the '96 Act. Second, the Agreement provides generally that each Party will comply with all applicable Federal and State laws in performing its obligations under the Agreement. The Agreement, as noted in the summary in Section II of this Memorandum, also contains additional specific provisions for protecting the privacy of customer-supplied information and for ensuring the completion of emergency calls.

The Agreement is not discriminatory in any way. With respect to those arrangements that new local exchange carriers are required to provide under Section 251(b), MFS is prepared to enter into similar agreements with any other carrier (incumbent or non-incumbent) in Arizona. It is MFS' understanding that U S WEST will provide resale, interconnection, unbundled network elements, and reciprocal compensation to other carriers on the same terms as it has agreed to with MFS. Nonetheless, the Agreement does not purport to be binding on any third party, and does not limit the ability of other carriers to negotiate or seek arbitration independently if they see fit.

Accordingly, the negotiated portions of the Agreement satisfy the standards for Commission approval pursuant to Section 252(e)(2)(A) of the '96 Act.

B. The Arbitrated Provisions, Except as Identified Above, Are Consistent with the '96 Act and Should Be Approved

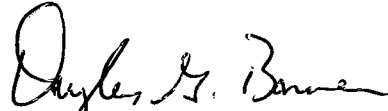
With the sole exception of the failure to geographically deaverage unbundled loop rates discussed in Section III of this Memorandum, MFS supports approval of the arbitrated provisions of the Agreement. Although the Commission did not resolve all of the disputed issues in the manner sought by MFS, its resolution of these issues was within the range of outcomes permitted by Sections 251 and 252 of the '96 Act and was based upon careful consideration of the conflicting evidence and arguments of the Parties.

Based upon U S WEST's positions in this proceeding, and its attempts to modify arbitration decisions in other jurisdictions, MFS anticipates that U S WEST may argue that some aspects of the Agreement are inconsistent with the Act. To the extent that U S WEST again asserts herein any of the contentions it has made below or in similar proceedings in other states, MFS incorporates herein by reference its Posthearing Brief, filed with the Commission on October 8, 1996. MFS also incorporates by reference its Supplemental Filing of August 1, 1996, discussing how prior Commission orders relate to the arbitrated issues, and support MFS positions adopted in the Arbitration Decision. Finally, MFS incorporates by reference its Supplemental Filing Responding to the FCC's Local Competition Order in FCC Docket 96-98, filed on August 28, 1996. As demonstrated by these briefs, the provisions of the Arbitration Decision challenged by U S WEST are in fact consistent with the '96 Act, this Commission's interconnection and Rate Case orders, and the FCC's Local Competition Order and Number Portability Order, and U S WEST has shown no basis for reconsidering them.

V. CONCLUSION

For the reasons stated above, the Commission should approve the Interconnection Agreement between MFS and U S WEST, except for one specific provision. The provision relating to an averaged rate for unbundled local loops should be rejected for the reasons stated in Section III. To be consistent with the '96 Act, the Parties should be required to resubmit the Agreement, with the rejected provision replaced by a new provision providing geographically deaveraged loop prices based upon the average unbundled loop rate approved at p.4 of the Arbitration Decision, within 30 days after the issuance of a Commission Order in this proceeding.

Respectfully submitted,



Andrew D. Lipman
Douglas G. Bonner
SWIDLER & BERLIN, Chartered
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
Phone: (202) 424-7500
Fax: (202) 424-7643

Attorneys for MFS Communications Company,
Inc.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition for Arbitration)
of an Interconnection Agreement Between)
))
MFS Communications Company, Inc. and)
US WEST Communications, Inc.)
))
Pursuant to 47 U.S.C. § 252.)
))
))
.....)

DOCKET NO. UT-960323

MFS'
PROPOSED FORM OF ORDER

RECEIVED
RECORDS MANAGEMENT
96 DEC -9 PM 12:51
STATE OF WASH
UTIL. AND TRANSP
COMMISSION

Having considered the Arbitrator's Report and Decision, the Arbitration Interconnection Agreement and accompanying requests for approval filed by the parties to this arbitration, the entire record herein, and all written comments filed with the Washington Utilities and Transportation Commission ("Commission") under the Commission's approval procedures, the Commission finds, concludes, and orders:

FINDINGS OF FACT

1. US WEST Communications, Inc. ("USWC") is certificated to provide local exchange and intraLATA telecommunications services to the public in Washington.
2. On June 24, 1996, MFS Communications Company, Inc. ("MFS"), filed with the Commission a petition for arbitration pursuant to 47 U.S.C. § 252(b)(1) in the above-captioned docket. USWC filed its response to the petition.
3. The Arbitrator's Third Procedural Order dated July 30, 1996 scheduled an arbitration at the Commission's offices in Olympia on September 18-19, 1996.
4. "Final offer" arbitration was adopted for this arbitration pursuant to the

Arbitrator's Fourth Procedural Order, dated August 15, 1996.

5. On October 2, 1996, following the arbitration hearing, the parties submitted a Joint Position Statement of negotiated terms to be included in an Arbitrated Interconnection Agreement for the State of Washington.

6. On October 8, 1996, each party submitted a posthearing brief, which summarized the unresolved issues and presented each party's proposed resolution of those issues.

7. On November 8, 1996, the Arbitrator's Report and Decision ("Arbitration Decision") was issued resolving the remaining disputed issues in this arbitration proceeding.

8. The Commission has fully analyzed the issues as presented by the Arbitration Decision, the parties' filings and evidentiary record in the arbitration, the parties' filed requests for approval and/or modification, and subsequent written comments received from third parties.

9. Pursuant to 47 U.S.C. § 252(e), the Commission hereby approves, with one correction discussed below, the Arbitration Decision adopted on November 8, 1996 in its entirety.

10. The Commission rejects II.A.2. "**Geographic Deaveraging**" of the Arbitration Decision to require that unbundled loop rates be geographically deaveraged, as required by the Telecommunications Act of 1996. Since the unbundled loop rate is not a retail end-user rate, but a cost-based network element to be provided to other local exchange competitors, this modification is not inconsistent with this Commission's ruling in its *Fifteenth Supplemental Order*. Accordingly, the state-wide arbitrated price of \$13.37 for unbundled loops found at p.97 of the Arbitrated Interconnection Agreement should be modified to provide geographically deaveraged rates in at least three rate zones using the \$13.37 rate as the average unbundled loop

rate, consistent with MFS' position in the arbitration.

CONCLUSIONS OF LAW

1. USWC is an incumbent local exchange carrier within the meaning of 47 U.S.C. § 252.
2. MFS is a telecommunications carrier within the meaning of 47 U.S.C. § 252.
3. The Commission has jurisdiction over USWC and MFS and of the subject matter of MFS' petition for arbitration, and is authorized by 47 U.S.C. § 252(e) either to approve or reject the parties' Arbitrated Interconnection Agreement or portions thereof.
4. The Commission's approval of the parties' Arbitrated Interconnection Agreement, as modified, is just and reasonable, is consistent with the public interest, convenience, and necessity, does not discriminate against a telecommunications carrier not a party to this agreement, and is in compliance with the specific requirements of Sections 251 and 252 of the Telecommunications Act of 1996, including but not limited to the pricing standards of Section 252(d), and applicable Washington requirements, including the Commission's interconnection orders.

ORDER

IT IS THEREFORE ORDERED that the Commission hereby approves the Arbitrated Interconnection Agreement filed by the parties in its entirety, except for the one modification identified above, as consistent with the Arbitration Decision of November 8, 1996.

IT IS FURTHER ORDERED that the parties' submit an amended Interconnection Agreement within 30 days of this Order amending the Arbitrated Interconnection Agreement to make the one modification discussed above. In the interim, with the exception of the one

modification ordered, the Arbitrated Interconnection Agreement shall be effective in its entirety.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

DATED at Olympia, Washington and effective this ___ day of January, 1997.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

SHARON L.NELSON, Chairman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner