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BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

SEP 09 1999

Missouri Public
Service Commission

MCI WorldCom Communications, Inc.)

v.)

Southwestern Bell Telephone Co.)

Case No. TC-2000-225

COMPLAINT

MCI WORLDCOM Communications, Inc., (MCIWC), by and through its attorneys, for its Complaint against Southwestern Bell Telephone Company (SWBT) alleges as follows:

I. INTRODUCTION

1. This action arises from SWBT's breach of contract by its refusal to pay MCIWC "reciprocal compensation" payments due under the interconnection agreement (the "Agreement") between SWBT and MCIWC. The Commission is authorized to hear MCIWC's complaint pursuant to R.S.Mo. Sections 386.330, 386.320, 386.390, 386.400 and 4 CSR 240-2.070, and the Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) (codified at 47 U.S.C. § 151, et seq.) (the "Act" or the "1996 Act").

2. MCIWC and SWBT entered into the Agreement pursuant to the Act. The relevant portions of the Agreement are attached hereto as Exhibit 1 and are incorporated by reference; MCIWC further incorporates by reference the Interconnection Agreement between MCIWC and SWBT in its entirety as filed with the Commission. In accordance with the Act, during early 1997, MCIWC and SWBT negotiated and arbitrated the terms of the Agreement, and specifically negotiated the provisions relating to reciprocal compensation. The Missouri Public Service Commission (the "Commission") approved the negotiated portions of the Agreement in October 1996 and approved the arbitrated provisions in or about August 1997.

3. As described in more detail below, the Agreement requires SWBT to pay MCIWC "reciprocal compensation" for the service MCIWC provides to SWBT throughout the portions of MCIWC's Missouri service area that overlap SWBT's Missouri local service areas, when MCIWC delivers local calls made by SWBT's local customers to Internet Service Providers ("ISPs") that are

MCIWC local customers. To date, SWBT has wrongfully withheld over \$7.5 million in reciprocal compensation payments that are due to MCIWC under the Agreement.

II. PARTIES

4. MCIWC is a Delaware corporation formerly known as WorldCom Technologies, Inc., and is the subsidiary of MCI Communications Corporation (into which MFS Communications Company, Inc., was merged) operating under the Agreement. (See Case No. TA-98-15 and TM-99-588). As used herein, "MCIWC" refers to both the complainant and its predecessors in interest. MCIWC is a "local exchange carrier" within the meaning of the Act, is authorized to and does provide local exchange services within the State of Missouri as a foreign corporation, and is subject to the jurisdiction of the Commission. MCIWC is authorized as a competitive local exchange carrier (CLEC) under certificate granted and tariffs approved by the Commission. Its principal regulatory office currently is located at 701 Brazos, Suite 600, Austin, Texas 78701.

5. The Commission should direct all communications and pleadings in this docket to MCIWC's representatives as follows:

Carl Lumley, Leland B. Curtis
Curtis, Oetting, Heinz, Garrett & Soule, P.C.
130 S. Bemiston, Suite 200
St. Louis, Missouri 63105
314-725-8788
314-725-8789 (FAX)

Stephen F. Morris
Senior Attorney
MCI WORLDCOM Communications, Inc.
701 Brazos, Suite 600
Austin, Texas 78701
(512)495-6727
(512)477-3845 (FAX)

Patricia Ana Garcia Escobedo
Senior Attorney
MCI WORLDCOM Communications, Inc.
701 Brazos, Suite 600,
Austin, Texas 78701
512- 495-6700
512- 477-3845 (FAX).

6. SWBT is a Missouri corporation with its principal office at One Bell Center, St. Louis, Missouri 63101. SWBT is a "local exchange carrier" within the meaning of the Act, is authorized to and does provide local exchange services within the State of Missouri, and is subject to the jurisdiction of the Commission. SWBT is a "local exchange telecommunications company" and a "public utility" as those terms are defined in Section 386.020, RSMo (1994).

7. SWBT's address, telephone number, and facsimile number are, respectively, One Bell Center, Room 3520, St. Louis, Missouri 63101, 314-235-4300, and 314-331-2195 (FAX).

III. JURISDICTION

8. The Commission has jurisdiction over this action under the Act [*Iowa Utilities Board v. FCC*, 120 F.3d 753, 804 (8th Cir. 1997); 47 U.S.C. § 252(e)(6)], and under state law. Section 386.330 requires that the Commission "shall make such inquiry in regard to any thing done or omitted to be done by any such public utility . . . in violation of any provision of law or in violation of any order or decision of the commission" [§ 386.330(1), R.S.Mo.] on complaint by any aggrieved person or corporation [§ 386.330 (2), R.S.Mo.]. Pursuant to its general supervision authority, the Commission is authorized to secure SWBT's "compliance with all provisions of law, orders and decisions of the commission" [§ 386.320 (1), R.S.Mo.]. MCIWC files its complaint in accordance with Section 386.390 of state law, setting forth the violation by SWBT of the Commission order in Case No. TO-97-27 and 97-23, approving the Agreement and requiring the Parties' compliance with the terms of the Agreement [§ 386.390 R.S.Mo.]. MCIWC further brings its complaint pursuant to Section 386.400, authorizing MCIWC, as a corporation, to complain on any grounds upon which complaints are allowed to be filed by other parties and requiring the PSC to adopt and follow the same procedure adopted and followed in other cases [§ 386.400 R.S.Mo.].

IV. GENERAL ALLEGATIONS

Local Interconnection Agreements and the 1996 Act

9. Historically, SWBT and other incumbent carriers enjoyed monopoly power over local telephone service. Congress decided to end those monopolies by enacting the landmark

1996 Act "to shift monopoly [telephone] markets to competition as quickly as possible." [H.R. Rep. No. 104-204, at 89 (1995), reprinted in 1996 U.S.C.C.A.N. 10, 55.] To that end, the Act subjects incumbents such as SWBT to "a host of duties" aimed at bringing competition to the local telephone market. [*AT&T Corp. v. Iowa Utils. Bd.*, 119 S. Ct. 721, 726 (1999).]

10. The Act requires incumbent local exchange carriers like SWBT to make the local telephone networks available for use by new competitors, and sets forth procedures for opening local markets to competition. [47 U.S.C. §§ 251-52.]

11. The terms under which new entrants interconnect with the incumbent's network are contained in interconnection agreements. [47 U.S.C. § 252.] The Act directs new entrants and incumbents to attempt to reach agreement upon terms of interconnection through negotiation. If they cannot agree, the governing state commission conducts an arbitration to resolve disputed issues. [*Id.* § 252(b)(1).] The results of the negotiation and arbitration are memorialized in binding interconnection agreements as approved by the appropriate state commission. [*Id.* § 252(e).]

12. The duties imposed by the Act are minimum requirements only, and parties may agree to obligations in interconnection agreements that go beyond the Act's requirements. The Act provides that incumbent carriers and new entrants "may negotiate and enter into a binding agreement . . . without regard" to the Act's minimum obligations. [47 U.S.C. § 252(a)(1).]

Inter-Carrier Compensation in the Context of Local Competition

13. One of the principal issues that arises in the context of local competition is inter-carrier compensation. With the advent of local competition, customers of one local carrier necessarily will call customers of another local carrier. When that happens, the two carriers must assist each other in delivering the calls. There are two forms of inter-carrier compensation local carriers can receive for assisting another carrier in delivering calls: "reciprocal compensation" and the sharing of "access charges."

14. The first form of inter-carrier compensation—reciprocal compensation—is designed to compensate a carrier for completing a local call, as defined by the parties to the

interconnection agreement, for another carrier. When a customer of one carrier makes a local call to a customer of another carrier, only the originating party (i.e., the caller) pays its carrier for the telephone services—leaving the other carrier uncompensated. The caller's local carrier must therefore compensate the other carrier whose facilities are used to complete the local call.

15. The second form of inter-carrier compensation is access charges. When a caller makes a long-distance toll call he pays his long-distance company, and not his local carrier, for the call. In turn, the long-distance company pays access charges to local telephone carriers to compensate the local carriers for originating and terminating the long distance toll calls over their networks. The service local carriers provide to long-distance companies in this context is "exchange access," which the 1996 Act defines as "the offering of access to telephone exchange services or facilities for the purpose of the origination or termination of telephone toll services" [47 U.S.C. § 153(16)].

Treatment of Reciprocal Compensation and Access Charges in the Interconnection Agreement

16. The Agreement addresses these compensation issues by specifying what traffic is subject to reciprocal compensation and what traffic is "exchange access" traffic subject to access charges. Reciprocal compensation obligations apply to "Local Traffic" as defined in the Agreement:

"Local Traffic," for purposes of intercompany compensation, means traffic that originates and terminates between or among end users within a SWBT local calling area as defined in SWBT's tariffs and any successor tariffs, including mandatory local calling scope arrangements but excluding Optional EAS areas. Mandatory Local Calling Scope is an arrangement that requires end users to subscribe to a local calling scope beyond their basic exchange serving area. In no event shall the Local Traffic area for purposes of local call termination billing between the Parties be decreased during the Term of this Agreement.

[Ex. 1, Agreement Definitions at 1.30.] The Agreement further provides that: "Reciprocal compensation applies for transport and termination of Local Traffic and Optional EAS Traffic which a Telephone Exchange Service end user originates on SWBT's or MCIWC's network for termination on the other Party's network The Parties shall mutually and reciprocally compensate each other for transport and termination of local traffic at the rates provided in the Pricing Schedule." [Ex. 1, Agreement at 5.3.1, 5.3.2, p. 12.] The Pricing Schedule establishes a reciprocal compensation local rate of \$0.009 per minute and an Optional Extended Area Service (EAS) rate of \$0.0160 per minute. [Ex. 1, Pricing Schedule at I.] Local calls to ISPs constitute Local Traffic subject to reciprocal compensation under the Agreement.

17. In contrast, reciprocal compensation obligations do not apply when SWBT and MCIWC interconnect to provide "Switched Exchange Access Services," which relate to the origination and termination of long distance toll traffic. [Ex. 1, Agreement at 5.3.5, p. 13.] When the parties provide each other with Switched Exchange Access Services, the Agreement provides that they will share the access charges paid by long-distance companies. The parties have not treated local calls to ISPs as long distance Switched Exchange Access Service.

18. If SWBT were permitted to treat local calls to ISPs as traffic that is not subject to reciprocal compensation, MCIWC would not be compensated for the service it provides in delivering local calls made by SWBT customers to MCIWC customers that are ISPs. The Agreement does not permit the exchange of traffic without compensation to either Party.

SWBT's Treatment of Calls to Internet Service Providers as Local Traffic

19. An ISP provides its customers the ability to obtain on-line information through the Internet. ISPs provide "information services" to their customers. Information services means "the offering of a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information via telecommunications[.]" [47 U.S.C. § 153(20).] ISPs purchase local telephone services to provide these information services. They do not provide either local or long distance telephone services.

20. The most common method by which an Internet user connects to an ISP is via the public switched telephone network. ISPs are assigned a local seven-digit telephone number when they purchase local service. All local exchange carriers, including SWBT, bill their customers for a local call when their customers call ISPs within the local calling area. The customers' charge is determined by the carriers' local tariffs. Local exchange carriers do not receive access charges from ISPs, but instead provide local services to ISPs under ordinary local tariffs for business customers. Local exchange carriers also treat calls to ISPs as local in the revenue and expense reports they file with the FCC.

21. When the Parties negotiated the Agreement, they understood and intended for local calls to ISPs to be treated as Local Traffic subject to reciprocal compensation under the Agreement. Both before and after the Agreement became effective, SWBT treated calls to ISPs as local traffic. For example:

- SWBT assigns its ISP customers a local seven-digit telephone number when they purchase local service for their use in providing information services;
- When SWBT customers make local calls to ISPs, SWBT bills its customers for those calls pursuant to its local tariff;
- Similarly, SWBT provides local services to ISPs under ordinary local tariffs for business customers;
- In ARMIS and other reports filed with the FCC, SWBT has treated revenues and expenses associated with ISP traffic as intrastate rather than interstate; and
- SWBT does not have measures in place that can segregate ISP traffic from other local traffic and measure such traffic for billing purposes. Indeed, the industry standards that govern the form of bills that carriers send one another for

reciprocal compensation do not require local calls to ISPs to be segregated or treated any differently from any other local calls.

22. For several months after the Agreement became effective, SWBT knowingly paid MCIWC reciprocal compensation for calls placed by SWBT's customers to MCIWC's ISP customers. Similarly, SWBT sent monthly invoices to MCIWC requiring MCIWC to pay reciprocal compensation for calls placed by MCIWC's customers to SWBT's customers, including ISPs. MCIWC has paid those invoices and has otherwise performed its obligations under the Agreement.

23. In or about June 1998, however, SWBT breached the Agreement by refusing to pay MCIWC the full amount due in reciprocal compensation. SWBT unilaterally began withholding reciprocal compensation payments based on SWBT's internal estimate of the portion of the reciprocal compensation invoices it claimed was attributable to calls to ISPs.

24. MCIWC has demanded that SWBT pay the full amounts due for reciprocal compensation, plus interest, as provided in the Agreement (see Exhibit 2 attached hereto and incorporated by reference). SWBT has refused (see Exhibit 3 attached hereto and incorporated by reference). Accordingly, SWBT has failed to perform its obligations and is in material breach of the Agreement. As a proximate result of SWBT's breach of the Agreement, MCIWC has suffered damages, which currently exceed \$ 7.5 million and continue to accrue.

V. PRAYER FOR RELIEF

WHEREFORE, MCIWC respectfully requests this Commission to enter an order:

- (a) Serving MCIWC's complaint on SWBT and requiring that SWBT respond to MCIWC's complaint in accordance with the Commission's rules;
- (b) Requesting that the Public Service Commission Staff investigate SWBT's violation of the Agreement and the Commission's order in Case No. TO-97-27 and 97-23;
- (c) Establishing a pre-hearing conference that SWBT and MCIWC shall be ordered to attend and develop a schedule to hear MCIWC's complaint;
- (d) Entering a protective order to facilitate discovery by the Parties in this case;
- (e) Stating that reciprocal compensation for ISP traffic is owed by SWBT to MCIWC at the rate for local interconnection established in the Agreement; and
- (f) Awarding any other relief that this Commission deems just and proper.

Respectfully submitted,

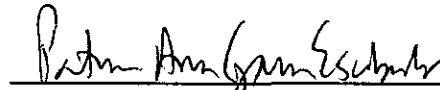
CURTIS, OETTING, HEINZ,
GARRETT & SOULE, P.C.



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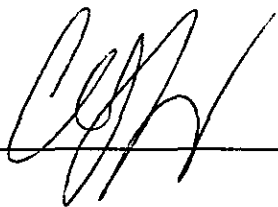
CERTIFICATE OF SERVICE

A true and correct copy of the foregoing was hand delivered this 9th day of September

1999 to:

Office of Public Counsel
Missouri Public Service Commission
301 West High Street, Suite 250
St. Louis, Missouri 63105

Southwestern Bell Telephone company
One Bell Center, Room 3520
St. Louis, Missouri 63101



A handwritten signature in black ink, appearing to be 'C. H.', is written over a horizontal line.

**INTERCONNECTION AGREEMENT UNDER SECTIONS 251 AND 252
OF THE TELECOMMUNICATIONS ACT OF 1996**

Dated as of July 16, 1996

by and between

SOUTHWESTERN BELL TELEPHONE COMPANY

and

MFS COMMUNICATIONS COMPANY, INC.

purpose of transmission and routing of Telephone Exchange Service traffic and Exchange Access traffic.

1.24 "Interconnection Activation Date" is the date that the construction of the joint facility Interconnection arrangement has been completed, trunk groups have been established, and joint trunk testing is completed.

1.25 "Interexchange Carrier" or "IXC" means a carrier that provides, directly or indirectly, interLATA or intraLATA Telephone Toll Services. For purposes of Section 6.0 of this Agreement, the term "IXC" includes any entity which purchases FGB or FGD Switched Exchange Access Service in order to originate or terminate traffic to/from MFS's end users.

1.26 "Interim Number Portability" or "INP" is as described in the Act.

1.27 "InterLATA" is as defined in the Act.

1.28 "IntraLATA Toll Traffic" means those intraLATA station calls that are not defined as Local Traffic in this Agreement.

1.29 "Local Access and Transport Area" or "LATA" is as defined in the Act.

1.30 "Local Traffic," for purposes of intercompany compensation, means traffic that originates and terminates between or among end users within a SWBT local calling area as defined in SWBT tariffs and any successor tariffs, including mandatory local calling scope arrangements but excluding Optional EAS areas. Mandatory Local Calling Scope is an arrangement that requires end users to subscribe to a local calling scope beyond their basic exchange serving area. In no event shall the Local Traffic area for purposes of local call termination billing between the Parties be decreased during the Term of this Agreement.

1.31 "Local Exchange Carrier" or "LEC" is as defined in the Act.

1.32 "Losses" means any and all losses, costs (including court costs), claims, damages (including fines, penalties, and criminal or civil judgments and settlements), injuries, liabilities and expenses (including attorneys' fees).

1.33 "MECAB" refers to the *Multiple Exchange Carrier Access Billing (MECAB)* document prepared by the Billing Committee of the Ordering and Billing Forum (OBF), which functions under the auspices of the Carrier Liaison Committee (CLC) of the Alliance for Telecommunications Industry Solutions (ATIS). The MECAB document, published by Bellcore as Special Report SR-BDS-000983, contains the recommended guidelines for the billing of access services provided to an IXC by two or more LECs, or by one LEC in two or more states within a single LATA. The latest release is issue No. 5, dated June 1994.

4.6.6 Both Parties will negotiate a project service date and corresponding work schedule to construct relief facilities in an effort to achieve "just in time" deployment.

5.0 TRANSMISSION AND ROUTING OF TELEPHONE EXCHANGE SERVICE TRAFFIC PURSUANT TO SECTION 251(c)(2)

5.1 Scope of Traffic

This Section 5.0 prescribes parameters for Traffic Exchange trunk groups the Parties shall establish over the Interconnections specified in Section 4.0. The Traffic Exchange trunk groups specified in this Section 5.0 and in Exhibit C shall be employed by the Parties for the transmission and routing of all Local and IntraLATA Toll Traffic between the Parties' respective Telephone Exchange Service end users.

5.2 Measurement and Billing

5.2.1 For billing purposes, each Party shall, unless otherwise agreed, pass the originating call record for the recording, record exchange and billing of traffic using the guidelines as set forth in the Technical Exhibit Settlement Procedures (TESP), provided by SWBT to MFS.

5.2.2 Measurement of all billing minutes shall be in actual conversation seconds. In each billing period, total conversation seconds shall be rounded to the next whole minute for billing purposes.

5.2.3 Where one Party is passing CPN but the other Party is not properly receiving the information, the Parties shall cooperatively work to correctly rate the traffic.

5.3 Reciprocal Compensation Arrangements -- Section 251(b)(5)

5.3.1 Reciprocal Compensation applies for transport and termination of Local Traffic and Optional EAS Traffic which a Telephone Exchange Service end user originates on SWBT's or MFS's network for termination on the other Party's network.

5.3.2 The Parties shall mutually and reciprocally compensate each other for transport and termination of Local Traffic at the rates provided in the Pricing Schedule. For purposes of Section 28.16, the Parties acknowledge that the Reciprocal Compensation rate for Local Traffic listed in the Pricing Schedule is not comparable to Local Traffic termination rates SWBT may establish with others which may reflect different rates for calls terminated to a tandem and for calls terminated to an end office. The Parties agree that the Reciprocal Compensation rate listed for Local Traffic in the Pricing Schedule is designed to compensate each Party for transport and termination of Local Traffic from the single point of

Interconnection in each Metropolitan Exchange Area to the ultimate end user including all transport and/or intermediary switching and/or final switching. To this extent, the Reciprocal Compensation rate listed for Local Traffic in the Pricing Schedule is tied directly to the Interconnection network architectures specified in Section 4.0 and to the trunk configuration criteria and procedures specified in this Section 5.0 and Exhibit C. Any other requested Interconnection architecture will require renegotiation of rates.

5.3.3 The Parties shall mutually and reciprocally compensate each other for transport and termination of Optional EAS Traffic at the rates provided in the Pricing Schedule. Maps and lists depicting Optional EAS Traffic areas are attached as Schedule 5.0.

5.3.4 The Reciprocal Compensation arrangements set forth in this Agreement are not applicable to IntraLATA Toll calls. Each Party shall bill the other Party for transport and termination of such calls according to rates, terms, and conditions contained in that Party's effective Switched Access tariffs.

5.3.5 The Reciprocal Compensation arrangements set forth in this Agreement are not applicable to Switched Exchange Access Service. Compensation for such jointly provided services are set forth in Section 6.0 and shall continue to be governed by the terms and conditions of the applicable federal and state tariffs.

5.3.6 Compensation for transport and termination of all traffic which has been subject to performance of INP by one Party for the other Party pursuant to Section 13.0 shall be as specified in Section 13.5.

6.0 TRANSMISSION AND ROUTING OF EXCHANGE ACCESS TRAFFIC PURSUANT TO 251(c)(2)

6.1 Scope of Traffic

Section 6.0 prescribes parameters for certain trunk groups ("Access Toll Connecting Trunks") to be established over the Interconnections specified in Section 4.0 for the transmission and routing of Exchange Access traffic between MFS Telephone Exchange Service end users and Interexchange Carriers via a SWBT access tandem.

6.2 Trunk Group Architecture and Traffic Routing

6.2.1 The Parties shall jointly establish Access Toll Connecting Trunks as described in Exhibit C, by which they will jointly provide tandem-transported Switched Exchange Access Services to Interexchange Carriers to enable MFS's end users to originate and terminate traffic to/from such Interexchange Carriers.

PRICING SCHEDULE - MISSOURI

I. Reciprocal Compensation

Local Rate = \$0.009 per minute

Optional Extended Area Service (EAS) Rate = \$0.0160 per minute

II. Feature Group A

SWBT

Rates found in FCC Tariff No. 73
and in Section 6 of the Missouri
intrastate access tariff.

MES

Same rates as SWBT's.

III. LSV/BLI Traffic

Rate = \$0.75 per Line Status Verification

\$1.50 per Busy Line Interrupt (includes LSV)

IV. Transiting

Rate = \$0.003 per minute

V. Interim Number Portability - Missouri

1. Recurring Charges

A. Basic Rate

\$2.10 per ported number, per month for a total of five (5) paths.

\$0.10 for for each additional path over five (5) paths.

B. EAS Surcharge

\$12.40 (in addition to rate in A. above)

2. Non-Recurring Charges

A. Per Line Service Order Charge:

\$ 14.50



Daniel Aronson
Director, Local Carrier Revenue Services
500 Clinton Center Drive Clinton, MS 39060
Phone: 601-460-8060 Fax: 601-460-5115
Email: Daniel.Aronson@Wcom.com

June 2, 1999

Southwestern Bell Telephone Company
One Bell Plaza, Room 0525
Dallas, Texas 75202
ATTENTION : LSP Account Manager

RE: Notice of Demand for Payment
of Reciprocal Compensation
Charges under the MFS-SWBT
Interconnection Agreement

Dear Sirs:

Since June, 1998, MCIWorldCom, on behalf of MFS Communications (hereinafter "MCIW") has been sending invoices detailing charges incurred by Southwestern Bell Telephone Company (SWBT) for the termination of local calls by SWBT customers in St. Louis, Missouri. Beginning with the first invoice sent, SWBT has only remitted partial payment on the invoice sent by MCIW on the basis of SWBT's unilateral declaration that a portion of the traffic terminated to customer's of MCIW which were Internet Services Providers (ISPs). SWBT's unilateral decision to withhold payment on this basis is inconsistent with, and in breach of, the Missouri Interconnection Agreement between SWBT and MFS Communications, (hereinafter "Interconnection Agreement"). The Interconnection Agreement specifically defines the term "local traffic" for which compensation is due and makes no exclusion for ISP traffic.

Please consider this letter to be a formal demand that outstanding balances due MCIW be paid in full in accordance with the Interconnection Agreement.

I will be looking forward to your response to this demand and will be available to discuss the details with you at your convenience. As of this date, MCIW shows current outstanding balances due from SWBT of \$7,519,917.98 (schedule attached).

Thank you for your time and attention in this matter.



Daniel Aronson

cc: Michael Henry
Patricia Escobedo

DLA/sc

EXHIBIT 2

MPS / MCIW RECIPROCAL COMPENSATION TRANSACTIONS WITH SOUTHWESTERN BELL - MO.				
As of June 2, 1999				
Invoice Number	Trans Date	Transaction	Amount	Total
DMO0520000-98161	6/10/98	I	\$42,066.06	
DMO0520000-98161	6/10/98	I	\$99,322.50	
DMO0520000-98161	6/10/98	I	\$163,404.84	
DMO0520000-98161	6/10/98	I	\$308,551.49	
DMO0520000-98161	7/13/98	P	(\$45,563.15)	
DMO0520000-98161	7/13/98	P	(\$86,244.85)	
DMO0520000-98161	7/13/98	P	(\$65,530.03)	
DMO0520000-98161	7/13/98	P	(\$16,575.45)	
				\$399,519.41
DMO0520000-98191	7/10/98	I	\$317,674.53	
DMO0520000-98191	7/10/98	I	\$362,833.57	
DMO0520000-98191	11/25/98	P	(\$98,868.68)	
DMO0520000-98191	11/25/98	P	(\$8,165.57)	
				\$573,473.85
DMO0520000-98344	12/10/98	I	\$294,753.18	
DMO0520000-98344	2/4/99	P	(\$69,446.91)	
				\$225,306.27
DMO0520000-99010	1/10/98	I	\$28,128.56	
DMO0520000-99010	1/10/98	T	\$4,421.30	
DMO0520000-99010	1/10/98	A	\$98,536.42	
DMO0520000-99010	3/8/99	P	(\$14,609.51)	
				\$116,476.77
Adjustment for previously invoiced usage			(\$972,993.26)	
				(\$972,993.26)
DMO0520000-99069	3/10/99	F	\$179.83	
DMO0520000-99069	3/10/99	A	(\$329,794.26)	
DMO0520000-99069	3/10/99	I	\$6,905,137.76	
				\$6,575,523.33
DMO0520000-99100	4/10/99	I	\$498,852.01	
DMO0520000-99100	4/10/99	F	\$103,759.60	
				\$602,611.61
				\$7,519,917.98
I Invoiced Usage Charges				
A Invoice Adjustments				
F Finance Charges				

Nancy Lowrance
Director
Industry Markets

SBC Telecommunications, Inc.
311 S. Akard Street
Four Bell Plaza, Room 661
Dallas, Texas 75203-5598
Phone 214 464-1750
Fax 214 868-0281



July 13, 1999

Mr. Daniel Aronson
MCI Worldcom
500 Clinton Center Drive
Clinton, MS 39060

Re: Reciprocal Compensation Under MFS Communications Co. - SWBT
Missouri Interconnection Agreement

Dear Mr. Aronson:

Your letter of June 2, 1999, sent to LSP Account Manager regarding the referenced subject was forwarded to me for a response. Future correspondence to the account team on this issue should be directed to me or to Karen Moore at the address shown above.

We concur with your statement that the referenced Interconnection Agreement provides for the payment of compensation on local traffic, but disagree with your conclusion that ISP traffic is local traffic. As we have advised you in our previous letters, SWBT has always taken the position that ISP traffic is interstate in nature in light of the FCC's long history of defining traffic based on where calls originate and terminate. Based on those standards, ISP traffic is interstate because the calls originate in one local calling area and generally terminate in a distant calling area, i.e., on the Internet, that could be anywhere in the world.

SWBT's position has recently been affirmed by the FCC. In its Declaratory Ruling in CC Docket No 98-98 released February 26, 1999, the FCC specifically stated that "...ISP-bound traffic is non-local interstate traffic. Thus, the reciprocal compensation requirements of section 251 (b)(5) of the Act and Section 51, Subpart H (Reciprocal Compensation for Transport and Termination of Local Telecommunications Traffic) of the Commission's rules do not govern inter-carrier compensation for this traffic." Declaratory Ruling, Note 87.

SWBT's withholding of amounts billed by your company for ISP traffic is entirely proper under our Interconnection Agreement since ISP traffic is not local traffic for which compensation is owed. I trust this clarifies SWBT's position on this matter. Should you have any questions, please contact me at 214 464-1750 or Karen Moore at 214 464-2758.

Additionally, SWBT's ISP amounts identified for the MFS-Missouri operations do not agree with those amounts contained in your June 2 correspondence. As of the latest MFS invoices paid by SWBT, we have identified \$4,166,502.58 as excludable ISP payments, and not the \$7,519,917.98 contained in your letter. Please refer to the attached suspected ISP billing detail and contact Becky Thompson at 314-331-3894 with any questions concerning reconciliation of these amounts.

Sincerely,

Karen Moore

f Nancy Lowrance

CC: Stan Brower
Becky Thompson
Karen Moore

Attachment

Attachment

MFS - MISSOURI
ISP DOLLARS WITHHELD NOV '97 - FEB '99

STATE	Usage Month	TRAFFIC TYPE	SUSPECTED ISP MOU	RATE	TOTAL
MO	FEB '99	Local	40,220,671	0.009	\$361,986.04
		EAS	14,394,583	0.016	\$230,313.33
			<u>54,615,254</u>		<u>\$592,299.37</u>
MO	JAN '99	Local	33,269,774	0.009	\$299,427.97
		EAS	11,512,057	0.016	\$184,192.91
			<u>44,781,831</u>		<u>\$483,620.88</u>
MO	DEC '98	Local	28,437,241	0.009	\$255,935.17
		EAS	9,227,316	0.016	\$147,637.06
			<u>37,664,557</u>		<u>\$403,572.23</u>
MO	NOV '98	Local	27,502,400	0.009	\$247,521.60
		EAS	8,737,141	0.016	\$139,794.26
			<u>36,239,541</u>		<u>\$387,315.86</u>
MO	OCT '98	Local	23,310,340	0.009	\$209,793.06
		EAS	7,500,075	0.016	\$120,001.20
			<u>30,810,415</u>		<u>\$329,794.26</u>
MO	SEPT '98	Local	24,587,777	0.009	\$221,289.99
		EAS	7,761,683	0.016	\$124,166.93
			<u>32,349,460</u>		<u>\$345,476.92</u>
MO	AUG '98	Local	23,317,519	0.009	\$209,857.67
		EAS	7,398,212	0.016	\$118,371.39
			<u>30,715,731</u>		<u>\$328,229.06</u>
MO	JUL '98	Local	21,721,205	0.009	\$195,490.85
		EAS	7,112,230	0.016	\$113,795.68
			<u>28,833,435</u>		<u>\$309,286.53</u>
MO	JUN '98	Local	20,013,126	0.009	\$180,118.13
		EAS	7,043,122	0.016	\$112,689.95
			<u>27,056,248</u>		<u>\$292,808.09</u>
MO	MAY '98	Local	0	0.009	\$0.00
		EAS	0	0.016	\$0.00
			<u>0</u>		<u>\$0.00</u>
MO	APR '98	Local	20,180,841	0.009	\$181,627.57
		EAS	7,561,759	0.016	\$120,988.14
			<u>27,742,600</u>		<u>\$302,615.71</u>
MO	MAR '98	Local	403,898	0.009	\$3,635.08
		EAS	12,328,414	0.016	\$197,254.62
			<u>12,732,312</u>		<u>\$200,889.71</u>
MO	FEB '98	Local	7,805,807	0.009	\$70,252.26
		EAS	3,831,549	0.016	\$61,304.78
			<u>11,637,356</u>		<u>\$131,557.05</u>
MO	JAN '98	Local	6,075,896	0.009	\$54,683.06
		EAS	272,117	0.016	\$4,353.87
			<u>6,348,013</u>		<u>\$59,036.94</u>
	TOTAL		381,526,753		\$4,166,502.58