COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF BALLARD RURAL TELEPHONE COOPERATIVE CORPORATION, INC. FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH AMERICAN CELLULAR F/K/A ACC KENTUCKY LICENSE LLC, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00215
PETITION OF DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC. FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS, GTE WIRELESS OF THE MIDWEST INCORPORATED D/B/A VERIZON WIRELESS, AND KENTUCKY RSA NO. 1 PARTNERSHIP D/B/A VERIZON WIRELESS, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00217
PETITION OF LOGAN TELEPHONE COOPERATIVE, INC. FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH AMERICAN CELLULAR CORPORATION F/K/A ACC KENTUCKY LICENSE LLC, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00218

PETITION OF WEST KENTUCKY RURAL TELEPHONE COOPERATIVE CORPORATION, INC. FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH AMERICAN CELLULAR CORPORATION F/K/A ACC KENTUCKY LICENSE LLC, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00220
PETITION OF NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION, FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH AMERICAN CELLULAR CORPORATION F/K/A ACC KENTUCKY LICENSE LLC, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00252
PETITION OF SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC. FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS, GTE WIRELESS OF THE MIDWEST INCORPORATED D/B/A VERIZON WIRELESS, AND KENTUCKY RSA NO. 1 PARTNERSHIP D/B/A VERIZON WIRELESS, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00255
PETITION OF BRANDENBURG TELEPHONE COMPANY FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS, GTE WIRELESS OF THE MIDWEST INCORPORATED D/B/A VERIZON WIRELESS, AND KENTUCKY RSA NO. 1 PARTNERSHIP D/B/A VERIZON WIRELESS, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00288

PETITION OF FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC., FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS, GTE WIRELESS OF THE MIDWEST INCORPORATED D/B/A VERIZON WIRELESS, AND KENTUCKY RSA NO. 1 PARTNERSHIP D/B/A VERIZON WIRELESS, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00292
PETITION OF GEARHEART COMMUNICATIONS INC. D/B/A COALFIELDS TELEPHONE COMPANY, FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS, GTE WIRELESS OF THE MIDWEST INCORPORATED D/B/A VERIZON WIRELESS, AND KENTUCKY RSA NO. 1 PARTNERSHIP D/B/A VERIZON WIRELESS, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00294
PETITION OF MOUNTAIN RURAL TELEPHONE COOPERATIVE CORPORATION, INC., FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS, GTE WIRELESS OF THE MIDWEST INCORPORATED D/B/A VERIZON WIRELESS, AND KENTUCKY RSA NO 1 PARTNERSHIP D/B/A VERIZON WIRELESS, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00296

PETITION OF PEOPLES RURAL TELEPHONE COOPERATIVE CORPORATION, INC., FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS, GTE WIRELESS OF THE MIDWEST INCORPORATED D/B/A VERIZON WIRELESS, AND KENTUCKY RSA NO. 1 PARTNERSHIP D/B/A VERIZON WIRELESS, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00298
PETITION OF THACKER-GRIGSBY TELEPHONE COMPANY, INC., FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED INTERCONNECTION AGREEMENT WITH CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS, GTE WIRELESS OF THE MIDWEST INCORPORATED D/B/A VERIZON WIRELESS, AND KENTUCKY RSA NO. 1 PARTNERSHIP D/B/A VERIZON WIRELESS, PURSUANT TO THE COMMUNICATIONS ACT OF 1934, AS AMENDED BY THE TELECOMMUNICATIONS ACT OF 1996	)	CASE NO. 2006-00300

O R D E R

Between May 30, 2006 and June 9, 2006, a total of 49 arbitration petitions were filed by 12 rural local exchange carriers (collectively "RLECs")[1] against eight commercial

[1] Ballard Rural Telephone Cooperative Corporation, Inc.; Duo County Telephone Cooperative Corporation, Inc.; Logan Telephone Cooperative, Inc.; West Kentucky Rural Telephone Cooperative Corporation, Inc.; North Central Telephone Cooperative Corporation; South Central Rural Telephone Cooperative Corporation, Inc.; Brandenburg Telephone Company; Foothills Rural Telephone Cooperative Corporation, Inc.; Gearheart Communications, Inc. d/b/a Coalfields Telephone Company; Mountain Rural Telephone Cooperative Corporation, Inc.; Peoples Rural Telephone Cooperative Corporation, Inc.; and Thacker-Grigsby Telephone Company, Inc.

mobile radio service providers (collectively "CMRS Providers"),[2] pursuant to 47 U.S.C. § 252(b). Certain of the RLECs also petitioned for arbitration with NTCH-West, Inc. ("NTCH") and ComScape Telecommunications, Inc. ("ComScape").[3]

The RLECs asked the Commission to arbitrate rates, terms, and conditions regarding reciprocal compensation arrangements for the transport and termination of telecommunications traffic. Pursuant to 47 U.S.C. § 251(b)(5), all local exchange carriers have the duty to establish such arrangements. Pursuant to 47 U.S.C. § 252(d)(2), the Commission must follow statutory pricing standards. The terms and conditions for reciprocal compensation are just and reasonable if they provide mutual and reciprocal recovery and if the costs are based on a reasonable approximation of the additional costs of terminating such calls.[4] The RLECs must prove that the rates they propose for each element in question do not exceed the forward-looking economic cost per unit of providing the element.[5] Since the RLECs filed these petitions for arbitration,

[2] Alltel Communications, Inc., American Cellular Corporation, New Cingular Wireless PCS, LLC (successor to BellSouth Mobility, LLC, BellSouth Personal Communications LLC, and Cincinnati SMSA Limited Partnership d/b/a Cingular Wireless), Sprint Spectrum L.P. on behalf of itself and SprintCom, Inc. d/b/a Sprint PCS, T-Mobile USA, Inc., Powertel/Memphis, Inc., T-Mobile Central LLC, and Cellco Partnership d/b/a Verizon Wireless, GTE Wireless of the Midwest Incorporated, and Kentucky RSA No. 1 Partnership. By agreement, American Cellular Corporation was dismissed as a party on October 10, 2006.

[3] NTCH and ComScape petitioned the Commission for dismissal of their arbitration cases. On July 31, 2006, the Commission denied their requests for dismissal and ordered that these parties abide by the same procedural schedule established for the other arbitrations. On October 11, 2006, the Commission also denied the motions of certain of the RLECs to adopt the interconnection agreements proposed by the RLECs for these two carriers.

[4] 47 U.S.C. § 252(d)(2)(A).

[5] 47 C.F.R. 51.505(e).

this Commission required them and the respondent CMRS Providers to provide such information as was necessary for the Commission to reach a decision on all unresolved issues.[6] Recognizing the limited time in which a state commission may rule on unresolved issues in an arbitration proceeding, 47 U.S.C. § 252(b)(4)(B) provides that "the state commission may proceed on the basis of the best information available to it from whatever source derived."

We now address each unresolved issue pending in these arbitration proceedings.

ISSUES 1 AND 9

How Should the Interconnection Agreement Identify Traffic That is Subject to Reciprocal Compensation?

Are the Parties Required to Pay Reciprocal Compensation to One Another For All Intra-MTA Traffic Originated By Subscribers on Their Networks, Regardless of How Such Traffic is Routed, for Termination to the Other Party?

The appropriate scope of reciprocal compensation between these carriers is addressed by these two issues. The RLECs indicate that Issue 9 is perhaps their single most important issue. The RLECs and the CMRS Providers agree that 47 C.F.R. 51.701(2) provides for reciprocal compensation for "telecommunications traffic between a LEC and a CMRS Provider that, at the beginning of the call, originates and terminates within the same major trading area." The point of contention between the parties is whether reciprocal compensation is due for all intra-major trading area ("MTA") traffic, including traffic that is routed through an intermediary (transit traffic). Also of concern to the RLECs is the CMRS Providers' position that toll-traffic routed through interexchange carriers is subject to reciprocal compensation.

[6] 47 U.S.C. § 252(b)(4)(B).

The CMRS Providers contend that all intra-MTA traffic exchanged between a CMRS Provider and an RLEC is subject to reciprocal compensation. The RLECs, however, argue that they should not be required to pay reciprocal compensation for interexchange carriers' toll traffic or traffic terminated through an intermediary that is not local traffic subject to reciprocal compensation. In support of their view, the RLECs cite the FCC's First Report and Order, which says, "Reciprocal compensation provisions of Section 251(b)(5) for transport and termination of traffic do not apply to the transport and termination of interstate or intra-state interexchange traffic."[7]

The RLECs correctly argue that the relevant factor for determining whether reciprocal compensation is due is which carrier originates the call, the RLEC or the interexchange carrier ("IXC"). Reciprocal compensation is not based merely upon the location of the originating call. Toll calls, those dialed using a 1+ arrangement, are carried by an IXC and are not calculated as RLEC traffic for which reciprocal compensation should be paid to CMRS Providers.[8]

Issue 1 is whether the interconnection agreement should identify traffic which is subject to reciprocal compensation as "telecommunications traffic," as proposed by the CMRS Providers, or "subject traffic," as proposed by the RLECs. The RLECs believe

[7] In the matter of implementation of the local competition provisions in the Telecommunications Act of 1996, First Report and Order, FCC 96-325 at ¶ 1034 (August 8, 1996).

[8] Whereas CMRS providers, unlike the RLECs, are generally responsible for performing the interexchange function for calls that originate on the CMRS Provider's network. Nevertheless, only local traffic is subject to reciprocal compensation between the carriers.

the term "telecommunications traffic" is overly broad and may result in confusion. The Commission finds the RLECs' proposal to be reasonable. The Telecom Act of 1996 ("Telecom Act") clearly intends that reciprocal compensation arrangements apply to "local" traffic exchanged between carriers. Other traffic, such as toll, is not required to be subject to reciprocal compensation. Accordingly, the parties shall use "subject traffic" in their agreements to refer to that traffic for which reciprocal compensation is due.

ISSUE 2

Should the Interconnection Agreement Apply to Traffic Exchanged Directly, as Well as to Traffic Exchanged Indirectly, Through Bellsouth or Any Other Intermediary Carrier?

The RLECs and the CMRS Providers agree that carriers may be interconnected directly or indirectly. According to the CMRS Providers, the RLECs must allow both direct (i.e., direct connection between the carriers' networks) and indirect (networks connected through a third-party/intermediary) interconnection and the CMRS Providers argue that they may not be limited to exchanging traffic through dedicated directly interconnected facilities.

The RLECs, however, assert that the CMRS Providers have confused the terms "direct" and "indirect" with the different concept associated with dedicated and commingled (common) trunking. The RLECs do not contest that CMRS Providers may interconnect indirectly through another carrier or directly with the RLECs. However, the RLECs believe that dedicated trunking arrangements should be required once traffic exceeds a de minimus level. The RLECs further argue that traffic exchanged through an intermediary should allow for the adequate identification and measurement of the traffic independently by the RLEC.

The Commission has previously determined that carriers may exchange traffic indirectly and that such traffic may be commingled with traffic from other carriers until the traffic reaches a significant volume. In the Level 3 Order,[9] the Commission found that a DS1 level of traffic was a reasonable threshold beyond which traffic over common trunks would need to be migrated to dedicated facilities. The Commission finds that a DS1 traffic level should similarly apply to traffic exchanged over indirectly interconnected facilities. Furthermore, the Commission agrees that RLECs should have the ability to adequately and independently verify local traffic being exchanged through an intermediary. Therefore, traffic exchanged through an intermediary should include sufficient information for the terminating carrier to identify and measure the originating carrier's traffic.

ISSUE 3

Does the Interconnection Agreement Apply Only to Traffic Within the Commonwealth of Kentucky?

The RLECs have agreed that the interconnection agreements would not be limited to Kentucky. The only point of contention appears to be the RLECs' proposal that the interconnection agreements contain a list of counties to define the area in which mobile users can originate calls for delivery to the RLECs. The RLECs assert that this list is necessary so that they may determine the relative amount of inter-MTA traffic. The CMRS Providers, however, contend that requiring each interconnection agreement

[9] Case No. 2000-00404, The Petition of Level 3 Communications, LLC for Arbitration With BellSouth Telecommunications, Inc. Pursuant to Sections 252(b) of The Communications Act of 1934, as Amended by The Telecommunications Act of 1996, Order at 3, 4, and 8 (March 14, 2001).

to be modified to include a list of every county is overly burdensome and unnecessary. The Commission agrees.

Requiring interconnection agreements to be modified each time a CMRS Provider adds a new geographic area from which its customers' calls may originate will add an unnecessary burden. However, as discussed in the Commission's consideration of Issue 2 above, traffic exchanged between the RLECs and the CMRS providers should include sufficient information to allow the carriers to adequately and independently verify the type and volume of traffic being exchanged.

ISSUE 4

Should the Interconnection Agreement Apply to Fixed Wireless Services?

This issue concerns whether the interconnection agreements should exclude "fixed wireless services." The RLECs claim that fixed wireless traffic is not a form of CMRS traffic and that the interconnection agreements should specifically exclude it. The CMRS Providers, on the other hand, argue that the interconnection agreements will be specifically limited to CMRS traffic exchanged between the CMRS network of a CMRS Provider and the local exchange network of the RLECs. The CMRS Providers assert that there is no reason to add an exclusion which does not have a specific definition as yet. The Commission agrees that adding a limitation to the agreement which has not been specifically defined is at this time inappropriate. The agreements should contain adequate language to limit the subject traffic to CMRS traffic.

ISSUES 5 AND 6

Is Each Party Obligated to Pay for the Transit Costs Associated With the Delivery of Traffic Originated on Its Network to the Terminating Party's Network?

Can the RLECs Use Industry Standard Records (E.G., EMI 11-01-01 Records Provided by Transiting Carriers) to Measure and Bill CMRS Providers for Terminating Mobile-Originated Telecommunications Traffic?

These issues focus on the appropriate terms of indirect interconnection. Issue 5 concerns whether CMRS Providers or the RLECs should pay the transiting charge for RLEC-originated traffic exchanged through a third-party tandem. The parties agree that CMRS Providers should pay the transiting charge for CMRS-originated traffic. Issue 6 addresses whether RLECs can use records of the tandem provider, generally BellSouth Telecommunications, Inc. ("BellSouth"), to bill the CMRS Providers for reciprocal compensation when CMRS traffic is sent to the RLECs through a third-party tandem.

The CMRS Providers propose that each originating party should pay transiting charges assessed by a transiting carrier to deliver traffic to a terminating carrier. They also assert that all costs for facilities linking the originating party's switch to the third-party transiting tandem should be paid by the originating party.

As framed by the RLECs, this issue involves whether CMRS Providers have a right to require the RLECs to obtain third-party transiting service with the potential of additional charges from a tandem provider merely because the CMRS Provider chooses not to establish a single point of interconnection on the incumbent networks of the RLECs. The RLECs are concerned that if the CMRS Providers' viewpoint is adopted, the RLECs will be required to transport local traffic to an interconnection point outside of their local network. The CMRS Providers assert that, by law, an originating carrier must deliver its calls to the network of the terminating carrier.

The Commission has long held the basic tenet that the originating carrier pays.[10] However, the underlying assumption of this basic tenet that the originating carrier pays is governed by 47 U.S.C. § 251(c)(2)(B), which limits the duty to interconnect to "any technically feasible point within the carrier's network."

Based on this statute, the Commission finds that the RLECs should not be required to establish interconnection points beyond their local service territory. Thus, for indirect interconnection, the interconnection may occur through a third party at a suitable network node of the incumbent.

The RLECs propose that, for this indirect interconnection, all traffic must be transmitted to them in a manner that allows the RLECs to identify and measure the CMRS Providers' traffic without having to rely on a third party, specifically BellSouth. Moreover, the RLECs have undertaken capital investment in their facilities to allow them to independently measure and bill the traffic. The Commission reiterates its prior considerations above and finds that a terminating carrier should have the ability to adequately and independently verify traffic exchanged with an originating carrier.

The Commission further finds that, in circumstances where the transit carrier (here BellSouth) cannot provide to the RLECs adequate verification of the jurisdictional nature and the rating of transited calls, then dedicated trunk groups should be utilized.

[10] Id. at 3 and 4.

ISSUES 7 AND 8

If a Direct Connection is Established Between a CMRS Provider and an RLEC, What Terms Should Apply?

Pursuant to 47 C.F.R. §§ 51.703 and 51.709, What Are the Parties' Obligations to Pay for the Costs of Establishing and Using Direct Interconnection Facilities?

These issues address the appropriate terms of direct interconnection. The parties differ on how they have interpreted the requirements of direct interconnection. As discussed in this section, direct interconnection is the direct linking of facilities of the RLEC and the CMRS Provider for the exchange of traffic without facilities of a third-party telecommunications carrier. The RLECs view these issues as a matter of when direct interconnection would be required and at what traffic volume. They believe that the Commission should establish a traffic threshold level at which the parties convert to dedicated trunking arrangements, either direct or indirect.

The CMRS Providers propose that they may choose whether to use one-way or two-way facilities. The RLECs believe that the choice should be the RLECs'. However, the RLECs' view is inconsistent with the FCC's determination which requires that the incumbent LEC accommodate two-way trunking upon request and where technically feasible.[11]

Also to be decided is who has the right to provide the direct interconnection facility. According to the CMRS Providers, either party should have this ability.[12] The RLECs, on the other hand, believe that each party should have the right to provide their

[11] First Report and Order at ¶ 219.

[12] CMRS Brief at 26.

own services as they so choose.[13] The parties also dispute their obligations regarding who should pay for the cost of establishing and using direct interconnection facilities. The RLECs contend that they should not be required to pay for any interconnection or transport of traffic not carried on their own network. They further believe that any facilities that are established within their service area may be shared based on the proportionate amount of traffic of each party.[14]

The CMRS Providers assert, on the other hand, that the cost of the facilities must be shared based on the principle that each party is responsible for the cost of delivering its own originating traffic to the other party. Thus, if two-way facilities are used, the costs are shared based on the usage of the facility. If one-way facilities are used, the originating carrier is responsible for the entire cost of the facility.

47 C.F.R. § 51.703 provides that "a LEC may not assess charges on any other telecommunications carrier for telecommunications traffic that originates on the LEC's network." However, this rule must be interpreted in light of the limitation found in 47 U.S.C. § 251(c)(2)(B), which provides for interconnection obligations only within the RLEC's network. The Commission finds that for two-way trunking arrangements, the facilities should be established in a manner that is most efficient, whether the facilities are provided by the CMRS Provider or by the RLEC, and the cost should be shared proportionately based on the level of traffic being exchanged. Whereas, for one-way trunking facilities, each party should bear the cost of establishing interconnection such

[13] Watkins Rebuttal Testimony at 17.

[14] Id.

that the interconnecting trunks are sufficient to accommodate the originating traffic of each carrier.

ISSUES 10 AND 11

If Each RLEC is Required to Develop a Company-Specific TELRIC-Based Rate For Transport And Termination, What Should the Rate be for Each RLEC, and What are the Proper Rate Elements and Inputs to Derive That Rate?

If the RLECs Fail to Demonstrate Rates That Meet the Requirements of 47 U.S.C. § 252(d)(2)(A) and the FCC's Regulations, What Rate Should The Commission Establish for Each RLEC?

We turn now to the appropriate reciprocal compensation rates for each RLEC. The Commission has already determined, as set forth in previous Orders, that according to 47 U.S.C. § 252(d)(2)(A), the reciprocal compensation rates to be established in this proceeding and set forth in the interconnection agreement must be based on the forward-looking costs of providing such services.[15] The RLECs have not produced total element long run incremental cost ("TELRIC") studies or any other forward-looking cost study to enable the Commission to determine the proper rate. In addition to the statute, 47 C.F.R § 51.705(a) further guides the Commission in setting reciprocal compensation rates. The CMRS Providers correctly note that the Commission is bound by this rule, which states:

> (a) An incumbent LEC's rates for transport and termination of telecommunications traffic shall be established, at the election of the state commission, on the basis of:
> (1) The forward-looking economic costs of such offerings, using a cost study pursuant to §§ 51.505 and 51.511;
> (2) Default proxies, as provided in § 51.707; or
> (3) A bill-and-keep arrangement, as provided in § 51.713.

[15] August 18, 2006 Order and October 11, 2006 Order.

The Commission must resolve all issues before it in an arbitration proceeding and may do so using the best available information it has before it. The RLECs propose that the Commission resolve these issues by using the "best available information" and adopting a rate of $0.015 per minute. The RLECs contend that this rate is a reasonable approximation of the reciprocal compensation rates for a competitive marketplace. The RLECs testified that the rate of $0.015 per minute is lower than the average of the negotiated reciprocal compensation rates on file with the Commission and equal to the rate in the current agreement between the parties. They also testified that the rate of $0.015 per minute compares favorably with RLEC reciprocal rates from other jurisdictions. They further assert that the rate of $0.015 per minute is reasonable compared to interstate access rates and, finally, that the rate of $0.015 per minute is reasonable compared to DEM-factored FCC proxy rates.

The CMRS Providers presented to the Commission rates that they calculated for each RLEC using as a starting point the TELRIC rate for reciprocal compensation established for BellSouth. They then assumed that this rate for a much larger carrier, BellSouth, must be lower than the rates for the smaller RLECs. To account for this difference, they employed a methodology proposed by the RLECs to use DEM-weighting to adjust the rate. The CMRS Providers also proposed that if the Commission did not adopt rates based on forward-looking methodology, it must utilize proxy rates or bill-and-keep as required by 47 C.F.R § 51.705(a).

Neither the RLECs nor the CMRS Providers have offered any information based on forward-looking costs. The CMRS Providers opine that their proposal to start with a BellSouth TELRIC rate is based on forward-looking costs. The Commission does not

believe that such a correlation can be made. The costs of BellSouth may or may not bear any relationship to the costs of any of the RLECs; it is impossible to tell without the cost study of the RLECs. Therefore, the Commission will not adopt this proposal offered by the CMRS Providers.

With no TELRIC study upon which to base rates, the Commission must either use the proxy rates or require bill-and-keep. The Commission selects the option of the proxy rates. The Commission will adopt the proxy rate calculations presented by the CMRS Providers[16] for each company, with one change in the calculation. The CMRS Providers used the mid-point of the range, $0.003, for the end office switching component. The Commission believes that it would be more logical to use the high end of the range, $0.004, since the RLECs are more similar to small incumbent LECs than to mid-sized ones. All other assumptions used in the CMRS Providers' proxy-based proposal are reasonable because they are based on the best available comparable information. The RLECs did not provide any alternative calculations. Therefore, the rates for each RLEC will be increased by $0.001 and are attached hereto as Appendix A.

The Commission will require that these rates be used until TELRIC cost studies are filed with and approved by the Commission. The RLECs must submit proposed TELRIC studies within 90 days of the date of this Order. Once relevant TELRIC rates are approved, those rates shall replace the proxy rates ordered herein on a prospective basis. Although the Commission has relied in the past on pricing models to establish TELRIC-based pricing, modeling is not the only method available. Cost studies based

[16] Farrar Rebuttal Testimony, Attachment RGF-8 (revised).

on sampled network utilization may also be used to derive TELRIC prices. Such sampled network utilization must, however, be representative of the nature of the traffic.

ISSUE 13

If a CMRS Provider Does Not Measure Intercarrier Traffic for Reciprocal Compensation Billing Purposes, What Intra-MTA Traffic Factors Should Apply?

The CMRS Providers propose that, in circumstances where actual measurement of intercarrier traffic has not occurred, traffic factors should be used to determine the reciprocal compensation. The RLECs counter with their own proposal of always utilizing actual traffic measurements, thereby avoiding the need for traffic factors.

The CMRS Providers seek to use traffic factors to bill the RLECs for traffic received from the RLECs because many of the CMRS Providers lack the capacity to produce accurate intercarrier billing records. CMRS Providers assert that the use of such traffic factors is standard industry practice in these interconnection agreements. The traffic factors would be applied to the RLECs' bills to the CMRS Providers. From the percentage of traffic billed, the CMRS Providers would bill the RLECs using the complementary percentage.

The RLECs propose, instead, to use their own measurements for land-to-mobile traffic. They oppose the use of traffic factors because the RLECs believe that each carrier is required to deploy measurement equipment so that its traffic can be measured.

The Commission finds that the use of traffic factors is reasonable where carriers do not have equipment in place to measure their traffic. The use of traffic factors appears to be standard practice. The Commission therefore adopts the measurement methodology for developing traffic factors proposed by the CMRS Providers.

ISSUE 15

What Is The Appropriate Compensation For Inter-MTA Traffic?

This issue involves how the RLECs and the CMRS Providers should compensate one another for the exchange of inter-MTA traffic. The RLECs believe that they do not provide to their customers any inter-MTA services and therefore are not required to provide those services to the CMRS Providers. The CMRS Providers have proposed that a small traffic factor be applied only to CMRS-originated traffic. The RLECs want the factor to be 5 percent, and the CMRS Providers want the factor to be 3 percent. Because there is currently no way to determine whether a call is interstate or intrastate for billing purposes, a factor must be used.

The RLECs, however, claim that a CMRS Provider is acting as an interexchange carrier when it delivers traffic across an MTA boundary. Under this circumstance, the CMRS Provider should be paying access charges to the RLECs. The RLECs also argue that because actual data to determine the jurisdictional nature of inter-MTA traffic is not available, all the traffic should be subject to the RLECs' intra-state access charges.

Because Kentucky is primarily within a single LATA, most inter-MTA traffic will also be interstate. Thus, adopting the RLECs' proposal to use the intra-state tariffed access charge for compensation is unreasonable. The Commission adopts the CMRS proposal for the 3 percent inter-MTA factor to be applied and divided evenly between intra-state and interstate jurisdictions.

ISSUE 16

Are the RLECs Required to Provide Dialing Parity (In Terms of Both Number of Digits Dialed and Rates Charged) for Land-To-Mobile Traffic?

The CMRS Providers assert that the RLECs are required to provide dialing parity for calls placed by the RLECs' customers to the mobile customers of the CMRS Providers within the same local calling area. The CMRS Providers thus want the RLECs' customers to be able to call their customers when their customers' numbers are within the local or extended area service exchanges without dialing extra digits and without paying extra fees.

The RLECs, on the other hand, believe that they are required to provide dialing parity only as it relates to calling and local services based on a specific local calling geographic area, not based on the assignment of telephone numbers. Moreover, according to the RLECs, the dialing parity obligations do not implicate charges to be assessed customers but only the dialing patterns to be used.

The CMRS Providers argue that wireless service is telephone exchange service and, thus, dialing parity is required.[17]

The Commission's prior decisions guide its outcome in this issue. The Commission has already determined that "[p]arity does not exist when the CLEC's customers must dial 10 digits and incur toll charges to reach a 'local' number an ILEC's customers may reach by dialing 7 digits without a toll charge."[18] Similarly, for the purposes of calls originating from an RLEC subscriber to a CMRS subscriber, dialing

[17] See First Report and Order at ¶¶ 10 and 13.

[18] Case No. 2002-00143, Brandenburg Telecom, LLC vs. Verizon South, Inc., Order dated May 23, 2002 at 4.

and rating parity should exist for any CMRS subscriber number that is assigned (as recorded in the Local Exchange Routing Guide) to a ratecenter within the RLECs non-optional local calling area.

ISSUE 17

What SS7 Signaling Parameters Should be Required?

This issue involves the appropriate terms regarding the exchange of SS7 signaling information. The CMRS Providers seek to base their obligations on whether the parties are directly or indirectly interconnected. The CMRS Providers also ask that neither party be permitted to assess SS7 tariff or message charges on the other for the exchange of traffic.

The RLECs do not want the formation and delivery of SS7 signaling parameters to depend on whether traffic is routed through a third-party network. The RLECs ask that all SS7 information be created and sent by both parties in order to ensure accurate identification and measurement of traffic. The RLECs also say they will not charge the CMRS Providers for SS7 information.

The RLECs propose that jurisdictional information parameter ("JIP") data be included in the SS7 signaling information exchanged by the parties. The CMRS Providers contend that JIP data is not required to be included.

Similar to conclusions drawn above, the Commission finds that all standard SS7 signaling parameters should be delivered with originating traffic, regardless of the type of interconnection utilized. The SS7 information is useful for both parties to verify independently the type and quantity of traffic exchanged between the carriers. The JIP is not a standard SS7 parameter. Therefore, the Commission will not require it to be

included with the SS7 information, unless the terminating carrier is unable to determine accurately the type and quantity of traffic exchanged.

ISSUE 18

Should RLEC Traffic Provisions be Incorporated Into the Contract?

The RLECs propose that their interconnection agreements actually refer to and incorporate the conditions of certain tariffs. The CMRS Providers, on the other hand, contend that tariffs cannot supersede or supplement the terms of their interconnection agreements unless there has been mutual expressed consent. The CMRS Providers note that certain tariffs will apply when the contract so specifies and, thus, do not oppose mentioning tariffs, but they object to their incorporation by reference.

The Commission finds that the reference to tariffs that may generally be applicable to certain terms and conditions of an interconnection agreement is appropriate. However, incorporating the tariffs by reference extends the boundaries of an interconnection agreement to matters for which there may have been no actual meeting of the minds. Thus, incorporation by reference of tariffs is unreasonable.

ISSUE 20

What Post-Termination Arrangements Should be Included in the Interconnection Agreement?

This issue involves the parties' status upon the termination of the interconnection agreement. The CMRS Providers propose that the agreement remain in place as the parties seek other arrangements and that it be subject to true-up following the conclusion of negotiations. The RLECs, on the other hand, are willing to extend the time limit under the circumstance where the parties are engaging in arbitrations. Thus,

the agreement would stay in place indefinitely while the parties arbitrated their new interconnection agreement. However, the RLECs oppose a true-up mechanism.

The Commission finds that the continuation of terminated agreements during the negotiation and possible arbitration of new agreements is in the public interest but will decline to mandate a true-up of rates. The Commission also finds that the RLECs' proposal for a 12-month limit is appropriate for a negotiated process. The proposal to extend indefinitely the terms for an arbitrative process is likewise appropriate.

ISSUE 21

How Should Certain Terms Be Defined In The Interconnection Agreements?

This issue involves the opposing proposed definitions of the terms "interconnection," "inter-MTA traffic," "rate center," "telecommunications traffic," and "interexchange carrier." The Commission decisions reached in the other issues in question appear to make the parties' opposition to each other's definitions of these terms moot. In framing the interconnection agreements, the parties should adopt the definitions that comply with the outcomes reached by the Commission in relevant issues.

ISSUE 28

Should the CMRS Providers be Allowed to Expand Their Networks Through Management Contracts?

The CMRS Providers ask that the interconnection agreements specifically allow them to expand their networks through management contracts. According to the CMRS Providers, this practice is standard in the industry. The RLECs, on the other hand, believe that the CMRS Providers' proposal is unreasonably vague and would permit any given CMRS Provider to unilaterally extend its agreement to other wireless carriers

without the consent of the RLEC. Moreover, the RLECs note that the interconnection agreements contain a provision for assignment to affiliated providers. The RLECs oppose the ability to expand the interconnection agreements to cover entities that are not affiliated with the contracting CMRS Provider. The RLECs argue that non-affiliated companies should be required to negotiate and arbitrate their own agreements. The CMRS Providers counter that their goal is to expand and operate their own network through construction and operation contracts with third parties. Their goal is not to extend the interconnection agreement to other wireless carriers.

The Commission finds that the CMRS Providers should not be allowed to expand their interconnection agreements to non-affiliated entities. Other persons who desire the arrangements contained in the CMRS Providers interconnection agreements may adopt the agreements as authorized by law.

The Commission HEREBY ORDERS that:

1. Within 30 days of the date of this Order, the parties herein shall file their respective Interconnection Agreements, to be effective January 1, 2007, incorporating the decisions reached herein.

2. The reciprocal compensation rates contained in Appendix A, attached hereto and incorporated herein, shall be utilized for each RLEC as specified.

3. Within 90 days of the date of this Order, the RLECs must submit their relevant TELRIC studies as specified herein. Once approved by the Commission, the rates supported by these TELRIC studies shall replace the proxy rates ordered herein as contained in Appendix A.

Done at Frankfort, Kentucky, this 22nd day of December, 2006.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NOS. 2006-00215 ET AL. DATED DECEMBER 22, 2006

RECIPROCAL COMPENSATION RATES FOR EACH RURAL LOCAL EXCHANGE CARRIER

Ballard Rural Telephone Cooperative Corporation, Inc.,	0.005547
Brandenburg Telephone Company	0.00504
Coalfields Telephone Company	0.009288
Duo County Telephone Cooperative Corporation, Inc.	0.00598
Foothills Rural Telephone Cooperative Corporation, Inc.	0.008175
Logan Telephone Cooperative, Inc.	0.006125
Mountain Rural Telephone Cooperative Corporation, Inc.	0.008393
North Central Telephone Cooperative Corporation	0.009002
Peoples Rural Telephone Cooperative Corporation, Inc.	0.007567
South Central Rural Telephone Cooperative Corporation, Inc.	0.004318
Thacker-Grigsby Telephone Company, Inc.	0.009581
West Kentucky Rural Telephone Cooperative Corporation, Inc.	0.007029