Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of)
)
Petition of Ameritech to Establish a New Access)
Tariff Service and Rate Elements Pursuant) CCB/CPD 97-46
to Part 69 of the Commission's Rules;)
Ameritech Tariff F.C.C. No. 2;) Transmittal No. 1123
Petition of Bell Atlantic to Establish New Service	,
Access Tariff Rate Elements Pursuant to Part 69) CCB/CPD 97-52
of the Commission's Rules;)
)
Bell Atlantic Tariff FCC No. 1) Transmittal No. 1009

Memorandum Opinion and Order

Adopted: Oct. 30, 1997 Released: Oct. 30, 1997

By the Chief, Competitive Pricing Division:

I. INTRODUCTION

1. In this Memorandum Opinion & Order we grant the petitions of Ameritech and Bell Atlantic seeking under section 69.4(g)(1)(i) of the Commission's rules to establish new service rate elements to provide prearranged and default query services for other carriers that deliver unqueried traffic to those local exchange carriers (LECs) for termination. We also suspend for one day and set for investigation Ameritech Transmittal No. 1123 and Bell Atlantic Transmittal No. 1009, which establish rates for these query services.

II. BACKGROUND

2. As Congress recognized in the Telecommunications Act of 1996, the inability of customers to retain their telephone numbers when changing local service providers hampers the development of local competition. Section 251(b)(2) of the amended Communications Act of 1934 seeks to remove this impediment to competition by requiring all LECs, both incumbents and new entrants, "to provide, to the extent technically feasible, number portability in accordance with

See In re Telephone Number Portability, First Report and Order & Further Notice of Proposed Rulemaking, 11 FCC Rcd. 8352, 8367-68, at ¶ 28-31 (1996) (Order & FNPRM) (citing evidence that business and residential customers are reluctant to switch carriers if they must change numbers).

requirements prescribed by the Commission."² To prevent the cost of providing number portability from itself becoming a barrier to local competition, however, section 251(e)(2) requires that "[t]he cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission."³

Rulemaking (FNPRM), the Commission promulgated rules and regulations implementing the requirement that all LECs provide number portability. Because of the complexity involved in making telephone numbers portable and the variety of industry proposals, the Commission did not mandate a particular technology for providing long-term number portability. Based on the record, the Commission concluded that "none of the currently supported methods, including LRN, has been tested or described in sufficient detail to permit the Commission to select the particular architecture without further consultation with the industry." Consequently, the Commission promulgated performance criteria that long-term number portability solutions must meet, required local exchange carriers to implement long-term number portability through a system of regional databases managed by neutral third party administrators, and established a timetable for the implementation of long-term number portability. In light of the myriad questions regarding the design and deployment of a long-term number portability system, the Order could not and did not resolve how carriers would bear the costs of providing long-term number portability. Instead, the Commission sought comments in the FNPRM

² 47 U.S.C. § 251(b)(2). The amended Communications Act defines number portability as "the ability of users of telecommunications services to retain, at the same location, existing telecommunications numbers without impairment of quality, reliability, or convenience when switching from one telecommunications carrier to another." 47 U.S.C. § 153(30).

³ 47 U.S.C. § 251(e)(2).

See Order & FNPRM, 11 FCC Rcd. at 8355, ¶ 3.

⁵ See Order & FNPRM, 11 FCC Rcd. at 8359-8362, 8494-8500, ¶¶ 12-20 & App. E.

See Order & FNPRM, 11 FCC Rcd. at 8355, ¶ 3.

⁷ See Order & FNPRM, 11 FCC Rcd. at 8377, \P 46 (stating that the Commission is "reluctant, based on the record in this proceeding, to select one of the proposed long term methods" because).

See Order & FNPRM, 11 FCC Rcd. at 8355, 8371-85, ¶¶ 3, 38-63.

⁹ Order & FNPRM, 11 FCC Rcd. at 8355-56, 8399-8404, ¶ 5, 91-101.

Order & FNPRM, 11 FCC Rcd. at 8355, 8393-97 & App. F, modified, In re Number Portability, CC Docket No. 95-116, First Memorandum Opinion and Order on Reconsideration, FCC 97-74, at ¶ 78 & App. E (rel. March 11, 1997).

on the costs associated with building and operating the long-term number portability system. Parties filed pleadings on the distribution of these costs among carriers as well as possible carrier cost-recovery mechanisms. The Commission has not yet issued its long-term number portability cost recovery decision resolving the issues raised in the FNPRM.

- 4. Carriers now intend to provide number portability through a location routing number (LRN) architecture.¹² Under an LRN architecture, each switch is assigned a unique ten-digit LRN, the first six digits of which identify the location of that switch.¹³ Each customer's telephone number is paired with the LRN for the switch that currently serves that telephone number, and the number and the corresponding LRN are stored in one of seven databases, each of which serves an area that corresponds to one of the original Regional Bell Operating Company service territories.¹⁴ Neutral third parties, called local number portability administrators, will administer these regional databases.¹⁵
- 5. When a customer changes from one LEC to another, the carrier that wins the customer will "port" the customer's number from the former carrier by electronically transmitting (uploading) the new LRN to the administrator of the relevant regional database. This will pair the customer's original telephone number with the LRN for the switch of the new carrier, allowing the customer to retain the original telephone number. The regional database administrators will then electronically transmit (download) LRN updates to carrier- or third-party-operated local service management systems. Each carrier will then distribute this information to its or a third party's service control

¹¹ See Order & FNPRM, 11 FCC Rcd. at 8459-66, ¶¶ 208-229.

See In re Telephone Number Portability, CC Docket No. 95-116, Second Report & Order, FCC 97-289, at ¶ 8 (rel. Aug. 18, 1997) (Second Report & Order).

NORTH AMERICAN NUMBERING COUNCIL, LOCAL NUMBER PORTABILITY ADMINISTRATION SELECTION WORKING GROUP REPORT [hereinafter NANC RECOMMENDATION] App. D (Architecture & Administrative Plan for Local Number Portability), ¶ 7.2 at 6 (April 25, 1997), adopted, Second Report & Order, at ¶ 3; see AIN PROGRAM, NATIONAL COMMUNICATIONS SYSTEM, LOCAL NUMBER PORTABILITY: AIN AND NS/EP IMPLICATIONS, § 6.1 (July 1996) [hereinafter LOCAL NUMBER PORTABILITY REPORT]. The industry has not yet decided a use for the last four digits. NANC RECOMMENDATION, App. D (Architecture & Administrative Plan for Local Number Portability), ¶ 7.2 at 6.

¹⁴ See Order & FNPRM, 11 FCC Rcd. at 8359-60, 8399-8400, 8494-95; LOCAL NUMBER PORTABILITY REPORT, supra note 13, at § 6.1.

¹⁵ See Order & FNPRM, 11 FCC Rcd. at 8400-03.

See NANC RECOMMENDATION, supra note 13, App. E (LNPA Technical & Operational Requirements Task Force Report) app. a (Issues & Resolutions), p. 1, and app. b (Inter-Service Provider LNP Operations Flows), fig. 1 (Provisioning) & p. 2. The former carrier may, at its option, also transmit this information. *Id.*

¹⁷ See NANC RECOMMENDATION, supra note 13, App. E (LNPA Technical & Operational Requirements Task Force Report) app. b (Inter-Service Provider LNP Operations Flows), fig. 2 (Provisioning Without Unconditional 10-Digit Trigger) & p. 1, step 4, and fig. 3 (Provisioning With Unconditional 10-Digit Trigger) & p. 1, step 5.

point (SCP) that the carrier uses to store and process data for providing number portability.¹⁸

- 6. For a carrier to route an interswitch telephone call to a location where number portability is available, the carrier must determine the LRN for the switch that serves the terminating telephone number of the call.¹⁹ Most carriers will accomplish this by querying either their own SCP or the SCP of a third party to find the LRN of the terminating telephone number. To do this, the industry proposed an "N minus one" (N-1) querying protocol.²⁰ Under this protocol, the N-1 carrier will be responsible for the query, "where 'N' is the entity terminating the call to the end user, or a network provider contracted by the entity to provide tandem access." Thus, the N-1 carrier for a local call will usually be the calling customer's LEC; the N-1 carrier for an interexchange call will usually be the calling customer's interexchange carrier.²² Rather than perform its own querying, an N-1 carrier may arrange for other carriers or third parties to provide querying and other portability services for them.²³
- 7. In the Second Report and Order, the Commission approved the industry's N-1 protocol.²⁴ The Commission also determined that, if an N-1 carrier arranges with another entity to perform queries on the carrier's behalf, that other entity may charge the N-1 carrier in accordance with requirements to be established in the pending long-term number portability cost recovery proceeding.²⁵ The Commission also noted that when an N-1 carrier fails to ensure that a call is queried, the call

¹⁸ See NANC RECOMMENDATION, supra note 13, App. E (LNPA Technical & Operational Requirements Task Force Report) app. b (Inter-Service Provider LNP Operations Flows), fig. 2 (Provisioning Without Unconditional 10-Digit Trigger) & p. 2, step 8, and fig. 3 (Provisioning With Unconditional 10-Digit Trigger) & p. 2, step 8.

See Order and FNPRM, 11 FCC Rcd. at 8359-60, 8494-95; LOCAL NUMBER PORTABILITY REPORT, supra note 13, at §§ 2.3, 5. Calls originating and terminating on the same switch need not be queried. See NANC RECOMMENDATION, supra note 13, App. D (Architecture & Administrative Plan for Local Number Portability), ¶ 8 at 10 & fig. 2, scenarios 1 & 2.

See In re Telephone Number Portability, CC Docket No. 95-116, Second Report & Order, FCC 97-289, at ¶ 73 (rel. Aug. 18, 1997) (Second Report & Order).

NANC RECOMMENDATION, *supra* note 13, app. D (Architecture & Administrative Plan for Local Number Portability), ¶ 7.8, at 8.

NANC RECOMMENDATION, supra note 13, app. D (Architecture & Administrative Plan for Local Number Portability), attachment A (Example N-1 Call Scenarios); LOCAL NUMBER PORTABILITY REPORT, supra note 13, at § 9.1.3. & fig. 9-3 (N-1 Network Query).

See Order & FNPRM, 11 FCC Rcd. at 8404.

²⁴ Second Report and Order, at ¶ 73.

²⁵ Second Report and Order, at ¶ 75.

might be routed by default to the LEC that originally served the telephone number. If the number has been ported, the LEC that originally served the customer incurs costs in redirecting the call. This could happen, for example, if there is a technical failure in the N-1 carrier's ability to query, or if the N-1 carrier fails to ensure that its calls are queried, either through its own query capability or through an arrangement with another carrier or third-party. The Commission determined in the Second Report & Order that, if a LEC performs queries on default-routed calls, the LEC may charge the N-1 carrier in accordance with requirements to be established in the pending long-term number portability cost recovery proceeding. 27

8. Part 69 of the Commission's rules does not currently provide a rate element under which incumbent LECs may recover the costs they might incur in performing query services for other carriers.²⁸ Consequently, Ameritech and Bell Atlantic have filed petitions seeking under section 69.4(g)(1)(i) of the Commissions rules to establish new service rate elements that would allow them to charge rates for such services.²⁹ Both carriers have filed proposed tariffs for those services.³⁰

III. PROPOSED SERVICES AND PLEADINGS

9. Ameritech and Bell Atlantic propose new switched access service and related rate elements that, when implemented through tariffs, would authorize them to perform prearranged and default long-term number portability database query services on behalf of other carriers.³¹ Ameritech's proposed query service would consist of four usage-sensitive rate elements that apply to N-1 carriers, both wireline and wireless: (1) a charge for prearranged queries from Ameritech end offices; (2) a charge for prearranged queries from Ameritech tandem offices; (3) a charge for default queries from

Second Report and Order, at ¶ 76.

²⁷ Second Report and Order, at ¶ 78.

²⁸ See 47 C.F.R. § 69.4.

See In re Petition of Ameritech to Establish a New Access Tariff Service and Rate Elements Pursuant to Part 69 of the Commission's Rules, CCB/CPD 97-46, Petition of Ameritech (filed Sept. 4, 1997) (Ameritech Public Interest Petition); In re Petition of Bell Atlantic to Establish New Service Access Tariff Rate Elements Pursuant to Part 69 of the Commission's Rules, CCB/CPD 97-52, Petition of Bell Atlantic (filed Sept. 19, 1997) (Bell Atlantic Public Interest Petition). Section 69.4(g)(1)(i) states that "[1]ocal exchange carriers subject to price cap regulation ... may establish one or more switched access rate elements for a new service ... upon approval of a petition demonstrating that ... [t]he establishment of the new rate element or elements would be in the public interest." 47 C.F.R. § 69.4(g)(1)(i).

³⁰ See Ameritech Tariff F.C.C. No. 2, Transmittal No. 1123 (filed Sept. 16, 1997); Bell Atlantic F.C.C. Tariff No. 1, Transmittal No. 1009 (filed Oct. 30, 1997). We granted Bell Atlantic waiver of section 61.58 in connection with their filing of the tariff under Special Permission No. 97-328. See 47 C.F.R. § 61.58 (specifying minimum notice requirements for the filing of tariffs).

Ameritech Public Interest Petition at 1; Bell Atlantic Public Interest Petition at 1, 2-3.

Ameritech end offices; and (4) a charge for default queries from Ameritech tandem offices.³² Bell Atlantic's petition describes four elements that are virtually identical to Ameritech's, as well as a charge for carriers that choose to query Bell Atlantic's database themselves.³³ Bell Atlantic's actual proposed tariff, however, does not distinguish between prearranged and default querying, using the same rates and rate elements whether or not the N-1 carrier has prearranged.³⁴

- 10. The carriers argue that establishing new switched access rate elements is in the public interest because: the first phase of the Commission's number portability implementation schedule has already begun;³⁵ such elements would allow them to perform queries for N-1 carriers that fail, or choose not, to perform queries themselves;³⁶ such elements are consistent with the Second Report and Order, which states that carriers may charge for performing queries on the behalf of other carriers;³⁷ such elements would encourage carriers to implement query capabilities in their own networks where it makes economic sense to do so;³⁸ and such elements will lessen the chances that default traffic will impair network reliability.³⁹
- 11. SBC supports the Ameritech and Bell Atlantic proposals.⁴⁰ It contends that such proposed services are necessary so that carriers may comply with the Commission's number portability timetable and because carriers have already incurred costs.⁴¹ SBC also notes that the Commission has recognized the appropriateness of intercarrier charges for the provision of query services.⁴²
- 12. AT&T, MCI, Teleport, and WorldCom, on the other hand, argue that establishing rate elements is premature because the Commission has not provided guidance on what costs carriers may

Ameritech Public Interest Petition at 2-3; Ameritech Tariff F.C.C. No. 2 at §§ 6.4.2, 6.9.

Bell Atlantic Public Interest Petition at 3-4. See also Bell Atlantic F.C.C. Tariff No. 1, Transmittal No. 1009, at §§ 5.2, 13.3.16.

Bell Atlantic F.C.C. Tariff No. 1, Transmittal No. 1009, at §§ 5.2, 13.3.16.

Ameritech Public Interest Petition at 4, 5; Bell Atlantic Reply in Support of its Petition, at 1-2.

³⁶ Ameritech Public Interest Petition at 4, 5; Bell Atlantic Public Interest Petition at 1, 2-3, 5.

³⁷ Ameritech Public Interest Petition at 4-5; Bell Atlantic Public Interest Petition at 1-2, 4-5.

³² Ameritech Public Interest Petition at 6; Bell Atlantic Public Interest Petition at 5.

³⁹ Ameritech Public Interest Petition at 6-7.

SBC Comments on Bell Atlantic Petition, at 1-3.

SBC Comments on Bell Atlantic Petition, at 3; SBC Reply on Bell Atlantic Petition, at 2-4.

SBC Comments on Bell Atlantic Petition, at 3-4 (citing First Reconsideration Order, at ¶ 126; Second Report & Order, at ¶ 74-78); SBC Reply on Bell Atlantic Petition, at 2.

recover and how they may do so.⁴³ AT&T also notes that Ameritech does not attempt to address the jurisdictional separation of its costs.⁴⁴ Sprint contends that Bell Atlantic should explain what will happen to the rate elements once the Commission issues its order on cost recovery.⁴⁵ WorldCom argues that Bell Atlantic's petition is unnecessary at this time because Bell Atlantic will be offering number portability in only a few places in the near future, making it possible for Bell Atlantic to implement a true-up mechanism once the Commission issues its order rather than charge for services now.⁴⁶

IV. DISCUSSION

13. The Commission is currently considering the appropriate policies, regulations, and rules regarding cost recovery of long-term number portability costs in CC Docket No. 95-116. This includes consideration of mechanisms by which incumbent LECs should be permitted to recover their long-term number portability costs and the extent to which they may establish query charges. Thus, we note that Ameritech's Transmittal No. 1123 and Bell Atlantic's Transmittal No. 1009 raise issues that the Commission is currently considering in the long-term number portability cost recovery proceeding.

A. Public Interest Petitions

- 14. Under Section 69.4(g)(1)(i) of the Commission's rules, "[1]ocal exchange carriers subject to price cap regulation ... may establish one or more switched access rate elements for a new service ... upon approval of a petition demonstrating that ... [t]he establishment of the new rate element or elements would be in the public interest." We find that Ameritech and Bell Atlantic have met this standard in this instance for the reasons stated below.
 - 15. Ameritech and Bell Atlantic, in conformance with the Commission timetable, will

In re Ameritech Tariff F.C.C. No. 2, Transmittal No. 1123, AT&T Petition to Suspend and Investigate, at 1-2, 3-6. (filed Sept. 23, 1997); AT&T Comments on Bell Atlantic Petition, at 2-3; MCI Opposition to Bell Atlantic Petition, at 1-4; Teleport Opposition to Bell Atlantic Petition, at 1-2; WorldCom Comments on Bell Atlantic Petition, at 2-5.

⁴⁴ AT&T Petition to Suspend and Investigate, at 3 (citing Ameritech F.C.C. Tariff No. 2, Transmittal No. 1123, Description and Justification, at 2).

⁴⁵ Sprint Comments on Bell Atlantic Petition, at 2.

WorldCom Comments on Bell Atlantic Petition, at 5.

⁴⁷ 47 C.F.R. § 69.4(g)(1)(i).

The Order and FNPRM, as modified by the First Memorandum Opinion and Order on Reconsideration, requires LECs to provide long-term number portability so that: 1) by April 1, 1998, any customer in Chicago, Philadelphia, Atlanta, New York, Los Angeles, Houston, and Minneapolis can keep the same telephone number when changing to any other telecommunications carrier, including a commercial mobile radio services (CMRS)

commence provision of long-term number portability in the very near future. According to Bell Atlantic, it is currently required by the Maryland Public Service Commission to begin implementation of long-term number portability in that state no later than October 31, 1997.⁴⁹ Bell Atlantic says that its query service thus is to be activated on October 31, 1997, in the Washington, D.C., MSA (in its Gaithersburg, Md., central office) and in the Philadelphia MSA.⁵⁰ Ameritech says it plans to offer long-term number portability in Chicago beginning November 3, 1997.⁵¹

- 16. Provision of number portability will in some circumstances require LECs to query and route calls that are transferred to them by N-1 carriers, either because such N-1 carriers have negotiated such arrangements, or because such N-1 carriers have themselves failed to ensure that the calls are queried. We note that the Commission has already determined that carriers may assess charges for performing query services on the behalf of N-1 carriers. Allowing charges will facilitate implementation of number portability on an industry-wide basis by providing a mechanism for LECs to recover the costs associated with prearranged and default queries. For these reasons we find that it is not premature to address the petitions and that it is, on balance, in the public interest in these circumstances for LECs to be allowed to assess cost-based charges on N-1 carriers for query services LECs perform for calls transferred from those N-1 carriers. Therefore, we find that allowing Ameritech and Bell Atlantic to establish new rate elements applicable to these situations, at least pending decisions in the rulemaking proceeding, is in the public interest, and we will grant the petitions.
- 17. The grant of these petitions will be subject to the Commission's determinations in CC Docket No. 95-116. The Commission is currently considering the appropriate policies, regulations, and rules regarding cost recovery of long-term number portability costs in that docket. This includes consideration of mechanisms by which incumbent LECs should be permitted to recover their number portability costs, the correct jurisdictional nature of number portability costs, and the extent to which incumbent LECs may establish query charges of the types proposed by Ameritech and Bell Atlantic. We will require Ameritech and Bell Atlantic to conform their rates, rate structures, regulations, and services offered in these tariffs to any determinations made by the Commission in that proceeding.

provider; (2) by January 1, 1999, any customer in the 100 largest metropolitan statistical areas (MSAs) can change carriers without changing their numbers; and (3) thereafter, any customer in areas outside the largest 100 MSAs can similarly change carriers within six months of a specific request by a telecommunications carrier that the telephone numbers associated with the switch serving that customer be made portable. In re Number Portability, CC Docket No. 95-116, First Memorandum Opinion and Order on Reconsideration, FCC 97-74, at ¶ 78 & App. E (rel. March 11, 1997), modifying Order & FNPRM, 11 FCC Rcd. at 8355, 8393-97 & App. F.

⁴⁹ Bell Atlantic Tariff F.C.C. No. 1, Transmittal 1009, Description & Justification, at § 2.0.

⁵⁰ Bell Atlantic Tariff F.C.C. No. 1, Transmittal 1009, Description & Justification, at § 3.0; Bell Atlantic Public Interest Petition, at 2.

Ameritech Application No. 294 (filed Oct. 20, 1997).

⁵² Second Report and Order, at ¶ 75, 78.

B. Suspension Order

18. We further conclude that the proposed tariffs raise substantial questions of lawfulness warranting suspension and investigation. Ameritech and Bell Atlantic have not provided sufficient cost justification and other support to demonstrate the reasonableness of the proposed charges and rate structures. For example, Ameritech and Bell Atlantic have not provided a sufficiently detailed explanation of the calculation of their proposed rates in relation to their costs, or how their proposed recovery of number portability query costs will be divided between state and federal jurisdictions, to permit a full assessment of the reasonableness of the proposed rates. We will, therefore, suspend the tariffs for one day and set them for investigation. We will also impose an accounting order with respect to the services offered under these transmittals during the course of the investigation.

V. ORDERING CLAUSES

- 19. Accordingly, IT IS ORDERED that, pursuant to sections 4(i) and 201-205 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i) and 201-205, the petitions of Ameritech and Bell Atlantic seeking under section 69.4(g)(1)(i) of the Commission's rules to establish new service rate elements that would allow them to charge rates for the provision of long-term number portability database query services on behalf of other carriers ARE GRANTED subject to the conditions above.
- 20. IT IS FURTHER ORDERED that, pursuant to section 204(a) of the Communications Act of 1934, as amended, 47 U.S.C. § 204(a), and section 0.291 of the Commission's Rules, 47 C.F.R. § 0.291, Ameritech's Transmittal 1123 and Bell Atlantic's Transmittal No. 1009 ARE SUSPENDED for one day and set for investigation.
- 21. IT IS FURTHER ORDERED that Ameritech SHALL FILE a supplement no later than 7 days after release of this Memorandum Opinion and Order reflecting this suspension. Bell Atlantic SHALL FILE a supplement no later than 7 days after release of this Memorandum Opinion and Order advancing the effective date of its revisions to October 30, 1997, and at the same time and in the same supplement reflecting the one day suspension. For these purposes, we waive sections 61.58 and 61.59 of the Commission's Rules, 47 C.F.R. §§ 61.58 and 61.59. Ameritech and Bell Atlantic should cite the "DA" number of this Order as its authority for this filing.
- 22. IT IS FURTHER ORDERED that, pursuant to section 204(a) of the Communications Act of 1934, as amended, 47 U.S.C. § 204(a), and section 0.291 of the Commission's Rules, 47 C.F.R. § 0.291, Ameritech and Bell Atlantic SHALL KEEP ACCURATE ACCOUNT of all amounts that are associated with the rates that are subject to this investigation.

FEDERAL COMMUNICATIONS COMMISSION

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