

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's)
own motion, to commence a)
proceeding for the purpose of)
resolving issues surrounding)
virtual NXX.)

Case No. U-14683

REPLY TO PROPOSED VNXX REPORTS

Submitted by:

TELNET WORLDWIDE, INC.;
PAC-WEST TELECOMM, INC.; and
LEVEL 3 COMMUNICATIONS, LLC

April 14, 2006

This Work Group was formed pursuant to the direction of Section 304(9) of 2005 PA 235, amending 1991 PA 179, entitled “Michigan Telecommunications Act”, MCL 484.2102 *et seq.* The statute instructs this Work Group to among other things “to resolv[e] issues surrounding virtual NXX.”

While the Work Group has discussed innumerable issues, very few have been resolved aside from the general agreement that the status quo should be maintained until the FCC acts. In fact, a large measure of the difficulty in reaching consensus on substantive issues stems from the changing landscape and the state of flux at the federal level. Serious questions have been raised whether it would be good economic and public policy for Michigan to re-work VNXX in the state when in the near future the FCC is expected to issue rulings in this same area.

As indicated in their March 31, 2006 filing, TelNet Worldwide, Inc, Pac-West Telecomm, Inc, and Level 3 Communications, LLC, recommend that the Commission propose statutory changes to the Legislature to reconvene the Work Group after the FCC issues a final decision in the pending Unified Intercarrier Compensation Docket (CC Docket No. 01-92),. This is a practical approach given that the FCC’s decision will necessarily affect what the states may or may not do in regards to intercarrier compensation and network interconnection.

On page 9 of its March 31, 2006 filing, the Michigan Exchange Carriers Association (“MECA”) stated: “The MTA, amended in 2005, has resolved all major issues surrounding VNXX.” MECA’s statement, on its face, is at odds with the express language of Section 304(9). If the MTA, as amended, addressed and resolved all major issues, there would have been little need for the Legislature to create this Work Group “to resolv[e] issues surrounding virtual NXX” and propose amendatory legislation. Quite to the contrary, if the Commission does not propose any

changes to the current language of Section 304(9), the Commission will need to find solutions to many yet-to-be-resolved issues.

UNRESOLVED QUESTIONS

- 1) Does Section 304(9) permit traditional FX arrangements to be treated differently than the CLEC VNXX arrangements? If so, how?
- 2) How would calls to cells numbers that have been ported to landlines be treated?
- 3) To what extent would Section 304(9) affect present and emerging technologies that permit subscribers to take their phone number with them anywhere, such as follow-me call routing?
- 4) Current billing systems classify calls on the basis of NXX codes. Would new billing systems need to be developed to classify calls on the basis of geographic locations? Who will bear the cost of developing new billing programs to track the geographic location of the calling and called parties, considering that such capability does not currently exist?
- 5) How would Section 304(9), if left unmodified, affect VNXX traffic other than ISP-bound traffic. How widespread is non-ISP-bound VNXX traffic in Michigan?
- 6) How would Section 304(9) impact the ability of rural and low-income customers to obtain access to the Internet?
- 7) Is there an inherent conflict between Section 304(9) and the current federal regulations that require carriers to deliver their originating traffic to the network of the called party?
- 8) Would Section 304(9) inhibit innovation, progress, and competition?

And so on. Clearly, the implications of what would happen on December 31, 2007 have not been resolved. The parties have generally agreed that whatever action the FCC takes in the Intercarrier Compensation Docket will significantly impact, in unforeseeable and diverse ways, the

implementation of Section 304(9). Accordingly, the prudent course of action is for the State of Michigan to wait for the FCC to complete its examination of the various complex issues regarding compensation and architecture before making far reaching changes to the status quo. After the FCC issues a decision, a workshop should be re-convened. In order to avoid any anomalies should the FCC order be delayed or the implementation schedule somehow interferes with the effective date in Section 304(9), the CLECs have requested the statutory language be appropriately modified.

Respectfully submitted,

TELNET WORLDWIDE, INC.;
PAC-WEST TELECOMM, INC.; and
LEVEL 3 COMMUNICATIONS, LLC

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