

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

Re: NEVD of Rhode Island, LLC Petition
For Declaratory Judgment that
Internet Traffic Be Treated as Local
Traffic Subject to Reciprocal
Compensation

Docket No. 2935

ORDER

I. Introduction

This matter comes before the Public Utilities Commission (“Commission”) pursuant to a petition filed on May 26, 1999 by NEVD of Rhode Island, LLC (“NEVD”), seeking a declaration that Internet traffic should be treated as local traffic subject to reciprocal compensation (“Petition”). NEVD alleged that, pursuant to the February 26, 1999 *Internet Traffic Order* (“ITO”) issued by the Federal Communications Commission (“FCC”), and under the terms of the Interconnection Agreement (“ICA”) between Bell Atlantic-Rhode Island (“BA-RI”) and NEVD, calls from BA-RI’s network to Internet Service Providers (“ISPs”) served by NEVD constituted “local traffic” subject to reciprocal compensation.¹

On June 14, 1999, BA-RI filed a motion to dismiss or, in the alternative, an Answer to NEVD’s Petition (“BA-RI Answer”). BA-RI also objected to a Motion to Intervene filed by AT&T on June 2, on the grounds that the proceeding involved the

¹ As the name suggests, these companies provide their customers with access to the Internet.

interpretation of the ICA between BA-RI and NEVD, so that AT&T's interests were not implicated. On June 23, 1999, NEVD filed its opposition to BA-RI's motion to dismiss ("NEVD Opposition").

The Telecommunications Act of 1996 ("the Act") establishes a framework for opening the local telephone market to competition.² In order to promote competition in the local exchange market, the Act imposes a general duty on all telecommunications carriers to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers. *47 U.S.C. § 251(a)*. With regard to incumbent local exchange carriers ("ILECs"), such as BA-RI, the duty to interconnect is even more specifically defined by Section 251(c)(2).

In addition to these interconnection obligations, the Act requires all local exchange carriers to establish reciprocal compensation arrangements for the transport and termination of telecommunications. *47 U.S.C. § 251(b)(5)*. To evaluate compliance with this subsection, the Act provides that a state commission shall not consider the terms and conditions for reciprocal compensation to be just and reasonable unless such terms and conditions provide for the mutual and reciprocal recovery by each carrier of costs associated with transport and termination on each carrier's network facilities of calls that originate on the network facility of the other carrier. Further, such terms and conditions must determine costs on the basis of a reasonable approximation of the additional costs of terminating such calls. *47 U.S.C. § 252(d)(2)(A)*. However, ILECs may negotiate

and enter into a binding agreement with a requesting telecommunications carrier without regard to the standards set forth in Section 251(b) and (c). *47 U.S.C. § 252(a)(1)*.

The procedures for negotiations between competitive local exchange carriers (“CLECs”) and ILECs are governed by Section 252 of the Act. If negotiating companies cannot reach agreement, Section 252 provides that the parties may request that the appropriate state commission arbitrate unresolved issues. Each ICA must be submitted to the state commission for approval, regardless of whether the agreement was negotiated by the parties or arbitrated, in whole or part, by the state commission. *47 U.S.C. § 252(e)(1)*. However, the state commission may only reject a negotiated agreement if it finds the agreement, or a portion thereof, discriminates against a telecommunications carrier not a party to the agreement, or that the implementation of the agreement is not consistent with the public interest, convenience and necessity. *47 U.S.C. § 252(e)(2)(A)*.

NEVD and BA-RI entered into an ICA on or about September 30, 1998 (the “NEVD Agreement”). Rather than negotiating the specific terms, NEVD exercised its right under Section 252(i) of the Telecommunications Act to opt into an existing ICA between Brooks Fiber Communications of Rhode Island (“Brooks”) and BA-RI (the “Brooks Agreement”). NEVD’s Petition represented that the Brooks Agreement was selected, in part, because it provided for reciprocal compensation for

² See *47 U.S.C. §§ 251-261*. The Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996), is codified throughout Title 47 of the United States Code. References in the text to the Act are to the relevant sections of the Code.

the termination of Internet traffic.³ Moreover, NEVD knew that Brooks was billing BA-RI for the termination of such traffic, and that BA-RI was paying Brooks for the termination of such traffic.⁴

Among other things, the NEVD Agreement contains terms addressing the provision of interconnection services and reciprocal compensation between the parties.⁵ Pursuant to the NEVD Agreement, NEVD and BA-RI exchange traffic between their respective networks so that a customer subscribing to NEVD's local exchange service can place calls to customers subscribing to BA-RI's local exchange service and vice versa. The NEVD Agreement requires each company to pay compensation for traffic that terminates on the other company's network.

The FCC's February ITO clarified the jurisdictional status of calls to ISPs. The FCC concluded that "ISP-bound traffic is jurisdictionally mixed and appears to be largely interstate."⁶ However, the FCC added that given the absence of a "federal rule regarding the appropriate inter-carrier compensation mechanism for this traffic...parties should be bound by their existing interconnection agreements, as interpreted by state commissions."⁷

³ See NEVD Petition at ¶ 3.

⁴ Id.

⁵ When the Commission refers to the "NEVD Agreement", it also intends to reference the underlying Brooks Agreement opted into by NEVD.

⁶ ITO, at ¶ 1.

⁷ Ibid., at ¶ 21.

The FCC ruled that “where parties have agreed to include [Internet] traffic” within their ICAs, “they are bound by these agreements, as interpreted by state commissions”:⁸

Currently, the Commission has no rule governing inter-carrier compensation for ISP-bound traffic. In the absence of such a rule, parties may voluntarily include this traffic within the scope of their interconnection agreements under Sections 251 and 252 of the Act, even if these statutory provisions do not apply as a matter of law. *Where parties have agreed to include this traffic within their Section 251 and 252 interconnection agreements, they are bound by those agreements, as interpreted and enforced by the state commissions.* (Emphasis added).

Thus, the FCC has permitted state commissions to interpret ICAs to determine whether the parties have agreed to include ISP-bound traffic within their ICAs for the purpose of determining reciprocal compensation.

II. Positions of the Parties

NEVD requested the Commission to construe the terms of its ICA (as well as the underlying Brooks Agreement on which it was based) and the FCC’s ITO, and rule that the parties intended Internet traffic to be treated as local traffic, subject to reciprocal compensation.⁹ In the alternative, NEVD urged the Commission to declare, pursuant to the ITO, ¶ 25, that Internet traffic be treated as local traffic even if the parties did not specifically agree to treat it as local under the terms of the ICA.¹⁰ As a third alternative, NEVD requests the Commission to declare that

⁸ Id.

⁹ See, generally, NEVD Petition; NEVD Opposition at pp. 3-4.

¹⁰ See NEVD Opposition at p. 12.

Internet traffic be treated as local under the authority granted to it under R.I. Gen. Laws § 39-1-1(b) to provide for the “fair regulation of public utilities” and to ensure against “undue preferences” and “unfair or destructive trade practices.”¹¹

According to NEVD, several sections of the NEVD Agreement unambiguously established the parameters for reciprocal compensation between NEVD and BA-RI:¹²

1.38 ‘Local Traffic’ means a call which is originated and terminated within a local service area as defined in P.U.C. - RI Tariff No. 15, Part A, Section 6. IntraLATA calls originated on a 1+ presubscription basis when available or a casual dialed (10XXX/101XXXX) basis are not considered local traffic.

1.54 ‘Reciprocal Compensation’ is As Described in the Act.

5.7.1 Reciprocal Compensation only applies to the transport and termination of Local Traffic billable by [BA] or [NEVD] which a Telephone Exchange Service Customer originates on [BA’s] or [NEVD’s] network for termination on the other Party’s network except as provided in Section 5.7.6 below.

5.7.2 The Parties shall compensate each other for transport and termination of Local Traffic in an equal and symmetrical manner at the rate provided in the Pricing Schedule. This rate is to be applied at the [NEVD-IP] for traffic delivered by [BA], and at the [BA-IP] for traffic delivered by [NEVD]. No additional charges, including Port or transport charges, shall apply for the termination of Local Traffic delivered to the [NEVD-IP] or the [BA-IP]. When Local Traffic is terminated over the same trunks as IntraLATA or InterLATA toll, any Port or transport or

¹¹ Id.

¹² See NEVD Petition at ¶ 10.

other applicable access charges related to the toll traffic shall be prorated to be applied only to the toll traffic.

Pursuant to these provisions, NEVD argued that to the extent an ISP purchases local exchange service from NEVD and receives calls which originate from users of BA-RI provided local exchange service, where both end-users are within the same LATA, BA-RI is obligated to pay reciprocal compensation to NEVD for termination of such calls.¹³ If the parties had intended to exclude Internet traffic from the obligation to pay reciprocal compensation, NEVD claimed that the definition of “local traffic” would have expressly excluded Internet traffic.¹⁴

NEVD also requested that the Commission to construe and apply ¶ 24 of the ITO, and rule that NEVD’s ICA includes reciprocal compensation for ISP traffic.¹⁵ Paragraph 24 sets forth guidelines that state commissions should follow to determine the intention of the parties with respect to reciprocal compensation for Internet traffic and encourages state commissions to consider “all the relevant facts, including the negotiation of the agreements in the context of this Commission’s longstanding policy of treating this traffic as local, and the conduct of the parties pursuant to those agreements”:¹⁶

For example, it may be appropriate for state commissions to consider such factors as whether incumbent LECs serving ESPs (including ISPs) have done so out of intrastate or interstate tariffs; whether revenues

¹³ Ibid., at ¶ 11.

¹⁴ Ibid., at ¶ 19; see NEVD Opposition at p. 6.

¹⁵ See NEVD Opposition at p. 5.

¹⁶ ITO, at ¶ 24.

associated with those services were counted as intrastate or interstate revenues; whether there is evidence that incumbent LECs or CLECs made any effort to meter this traffic or otherwise segregate it from local traffic, particularly for the purpose of billing one another for reciprocal compensation; whether, in jurisdictions where incumbent LECs bill their end users by message units, incumbent LECs have included calls to ISPs in local telephone charges; and whether, if ISP traffic is not treated as local and subject to reciprocal compensation, incumbent LECs and CLECs would be compensated for this traffic. These factors are illustrative only; state commissions, not this Commission, are the arbiters of what factors are relevant in ascertaining the parties' intentions.

Additionally, NEVD requested that the Commission construe ¶ 25 of the ITO and declare that reciprocal compensation should be paid for Internet traffic even if the parties to ICAs had not agreed to do so.¹⁷ According to NEVD, the Commission has this authority under ¶ 25:

*Even where parties to interconnection agreements do not voluntarily agree on an inter-carrier compensation mechanism for ISP-bound traffic, state commissions nonetheless may determine in their arbitration proceedings at this point that reciprocal compensation should be paid for this traffic...Section 252 imposes upon state commissions the statutory duty to approve voluntarily-negotiated interconnection agreements and to arbitrate interconnection disputes. As we observed in the *Local Competition Order*, state commission authority over interconnection agreements pursuant to section 252 'extends to both interstate and intrastate matters.' Thus, the mere fact that ISP-bound traffic is largely interstate does not necessarily remove it from section 251/252 negotiation and arbitration process. However, any such arbitration must be consistent with governing federal law. While to date the Commission has not adopted a specific rule governing the matter, we note that our policy of*

¹⁷ See NEVD Opposition at pp. 9-10.

treating ISP-bound traffic as local for purposes of interstate access charges would, if applied in the separate context of reciprocal compensation, suggest that such compensation is due for that traffic. (Emphasis added).

In response, BA-RI argued that NEVD's Petition was procedurally flawed and substantively deficient because it failed to identify a single rule, statute, or order which it seeks to have the Commission construe.¹⁸ BA-RI also contended that the FCC's ITO expressly held that traffic to ISPs is not local, but is interstate traffic and not subject to reciprocal compensation.¹⁹ Therefore, according to BA-RI, nothing in the Act or the ITO permits the Commission to enter an order, declaratory or otherwise, that is contrary to the FCC's ruling that Internet traffic is interstate and not local.²⁰

Further, BA-RI asserted that even if NEVD's Petition were construed as a request that the Commission interpret its ICA, the Petition should be dismissed because the plain language of that agreement, according to BA-RI, expressly provided that reciprocal compensation is as described in the Act and expressly applies to local traffic only.²¹ In the alternative, BA-RI specifically answered each of the Petition's numbered paragraphs.

¹⁸ See BA-RI Answer at p. 1.

¹⁹ Id.

²⁰ Ibid., at p. 2.

²¹ Id.

III. Discussion

A) Motion to Dismiss

The Commission finds that it has the requisite authority to construe the FCC's *Internet Traffic Order* and NEVD's ICA and rule that under the ITO and the ICA, the parties agreed to treat Internet traffic as local and subject to reciprocal compensation.²²

The specific authority of the Commission to interpret and enforce ICAs is a derivative of the exclusive authority granted by Section 251(e)(1) of the Act to state commissions to approve or reject interconnection agreements submitted for review. Such an interpretation was recognized by the U.S. Court of Appeals for the Eighth Circuit in Iowa Utilities Board v. FCC, 120 F.3d 753, 804 (8th Cir 1997), rev'd in part, 119 S.Ct. 721 (1999). The Supreme Court's ruling did not address the merits of the Eighth Circuit's holding, but instead concluded that the issue was not yet ripe for consideration. AT&T Corp. v. Iowa Utilities Board, ___ U.S. ___, 119 S.Ct. 721, 142 L.Ed.2d 834, 853 (1999). Furthermore, in the ITO, the FCC interpreted the Act and declared that state commissions have primary responsibility for interpreting ICAs.²³ Accordingly, this Commission is authorized to interpret NEVD's ICA as well as the FCC's ITO and to enter an order concerning the intention of the parties with respect to reciprocal compensation for Internet traffic. BA-RI conceded that

²² Since NEVD adopted the Brooks Agreement in its entirety, when the Commission refers to the intention of the parties, it is referring to the intention of BA-RI and Brooks as the parties to the underlying agreement.

²³ See ITO at ¶¶ 21, 22, and 24.

under the Act, “state commissions are the primary arbiters of ICAs, regardless of the services or functionalities they concern or their jurisdictional nature.”²⁴

BA-RI also asserted that the FCC’s ITO expressly held that traffic to ISPs is not local but interstate traffic, and not subject to reciprocal compensation. Therefore, according to BA-RI, nothing in the Act or ITO permits the Commission to enter an order, declaratory or otherwise, that is to the contrary.

If the FCC’s jurisdictional finding that ISP-bound traffic is largely interstate were the extent of the ITO ruling, BA-RI’s argument might have merit. However, having determined the jurisdictional issue, the FCC reiterated that state commissions retained not only the authority, but also the responsibility, to address any and all contractual and regulatory disputes pertaining to jurisdictionally mixed traffic, including ISP-bound traffic. This principle is emphasized in paragraphs 21 and 22 of the ITO, as follows:

We find no reason to interfere with state commission findings as to whether reciprocal compensation provisions of interconnection agreements apply to ISP-bound traffic, pending adoption of a rule establishing an appropriate interstate compensation mechanism.

* * *

Currently, the Commission has no rule governing inter-carrier compensation for ISP-bound traffic. In the absence of such a rule, parties may voluntarily include this traffic within the scope of their interconnection agreements under sections 251 and 252 of the Act, even if these statutory provisions do not apply as a matter of law. *Where parties have agreed to include this traffic within*

²⁴ See NEVD Petition at ¶ 21, and BA-RI Answer at ¶ 21.

their section 251 and 252 interconnection agreements, they are bound by those agreements, as interpreted and enforced by the state commissions (emphasis added).

It is clear from this language that the FCC carefully refrained from interference with a state commission's actions to resolve a dispute concerning reciprocal compensation provisions in an ICA, pending the adoption of a federal rule establishing an appropriate interstate compensation mechanism. It is equally clear that the FCC did not intend to affect existing agreements in which the parties had agreed to treat this traffic as local. Thus, under the ITO, even if ISP traffic is largely interstate, parties may have agreed to treat it as local, and therefore, subject to reciprocal compensation. In addition, a state commission might impose reciprocal compensation in arbitration proceedings:²⁵

A state commission's decision to impose reciprocal compensation obligations in an arbitration proceeding -- or a subsequent state commission decision that those obligations encompass ISP-bound traffic -- does not conflict with any Commission rule regarding ISP-bound traffic. By the same token, in the absence of governing federal law, state commissions also are free not to require the payment of reciprocal compensation for this traffic and to adopt another compensation mechanism.

Contrary to BA-RI's assertion, we find that the FCC could not have been more explicit that, in the absence of a federal rule, a state commission's interpretation of an ICA to require payment of reciprocal compensation does not create a conflict with federal law. Last month, the United States Court of Appeals for the Seventh Circuit upheld an order by the Illinois Commerce Commission

²⁵ Ibid., at ¶ 26.

“ICC”) requiring Ameritech-Illinois to pay reciprocal compensation for ISP-bound calls. The ICC had found that Ameritech was bound under its ICA to pay reciprocal compensation for ISP-bound calls, and that Ameritech’s refusal to do so was anti-competitive. Illinois Bell Telephone Company d/b/a Ameritech-Illinois v. WorldCom Technologies, Inc., et al., ___ F.3d ___, Nos. 98-3150, 93-3322, and 98-4080 (7th Cir. June 18, 1999).²⁶ The Seventh Circuit held that the ICC’s decision was lawful and consistent with federal law, observing that the ICC’s decision “is in the mainstream of thought on the issue,” and that “the commissions in well over half the states have made the same determination that the ICC made, including some interpretations made after the [FCC’s] February Ruling.”²⁷ We reject BA-RI’s argument that the ITO bars this Commission from ruling that under the terms of NEVD’s ICA, the parties agreed to treat Internet traffic as local, subject to reciprocal compensation. Accordingly, BA-RI’s motion to dismiss is denied.

B) AT&T Motion to Intervene and Scope of This Proceeding

The Commission has limited the scope of this proceeding and, thus, the purview of this Order, to an interpretation of NEVD’s ICA and the FCC’s ITO. The sole issue before us is whether the parties agreed to treat Internet traffic as local traffic, subject to reciprocal compensation. Since NEVD adopted the Brooks Agreement in its entirety, the Commission will look to the FCC’s Order and the Brooks ICA to ascertain the intention of the parties. Accordingly, the Commission’s

²⁶ See Slip Op. at p. 4.

²⁷ See Slip Op. at p. 14.

order in this case will apply to the NEVD Agreement, to the Brooks Agreement, and to any other party that may have opted into the Brooks Agreement in its entirety.

The Commission agrees with AT&T that it has jurisdiction to fashion an interim inter-carrier compensation rule pertaining to Internet traffic that would apply to all carriers until such time as there is a federal rule establishing such a mechanism for this traffic. The Commission does not undertake to establish such a rule in this docket, but intends to open a separate docket to investigate the matter. Therefore, the Commission will treat AT&T's Motion to Intervene in this docket as a Motion to Intervene in that generic docket.

C) The NEVD Interconnection Agreement and the *Internet Traffic Order*

Section 5.7.1 of the Brooks and NEVD Agreements provide in pertinent part:

Reciprocal compensation only applies to the transport and termination of local traffic billable by [BA-RI] or [NEVD] which a telephone exchange service customer originates on [BA-RI's] or [NEVD's] network for termination on the other party's network.

The contracts also specify that, "reciprocal compensation' is As Described in the Act." "Local traffic" is defined in Section 1.38 of the Brooks and NEVD agreements as follows:

'Local Traffic' means a call which is originated and terminated within a local service area as defined in P.U.C. - RI Tariff No. 15, Part A, Section 6. IntraLATA calls originated on a 1+ presubscription basis when available or a casual dialed (10XXX/101XXXX) basis are not considered local traffic.

NEVD asserted that its Agreement unambiguously provides reciprocal compensation for the termination of Internet traffic. BA-RI attacked this position

primarily by stating that the Act does not require reciprocal compensation and that the NEVD Agreement tracks the Act (reciprocal compensation is “As Described in the Act”). Therefore, according to BA-RI, the NEVD Agreement cannot be interpreted to require reciprocal compensation for calls to ISPs.

We reject BA-RI’s interpretation of the NEVD Agreement. That the Act does not *require* reciprocal compensation for calls to ISPs is not to say that it *prohibits* it. An argument similar to BA-RI’s was recently rejected by the Seventh Circuit Court of Appeals in Ameritech-Illinois, *supra*. In rejecting Ameritech-Illinois’ argument that the Act does not require reciprocal compensation and that the agreements at issue tracked the Act, the Court stated:²⁸

The Act simply sets out the obligations of all local exchange carriers to provide for reciprocal compensation: ‘Reciprocal compensation. The duty to establish reciprocal compensation arrangements for the transport and termination of telecommunications.’ Section 251(b)(5). Then in Section 252(d)(2), state commissions are instructed that terms and conditions for reciprocal compensation are not to be considered reasonable unless they provide ‘for the mutual and reciprocal recovery by each carrier of cost associated with transport and termination of each carrier’s network facilities of calls that originate on a network facilities of the other carrier’ and that the costs be determined on the basis of ‘reasonable approximation of the additional costs of terminating such calls.’ The Act clearly does not set out specific conditions which one party could enforce against the other. The details are left to the parties, or the commissions, to work out.

²⁸ Ibid., at p. 12.

The ICC's conclusion -- that reciprocal compensation should apply to traffic Ameritech bills as local traffic -- does not violate the act or the FCC's interpretation of the Act. In fact, the Commission was doing what it is charged with doing in the Act and in the FCC ruling. It was determining what the parties intended under the agreements.

The Commission agrees with this analysis, and rejects BA-RI's assertion that reciprocal compensation does not apply to Internet traffic under the NEVD Agreement.

The Commission finds that the Brooks Agreement opted into by NEVD unambiguously reflects the parties' agreement that Internet traffic should be treated as local traffic, subject to reciprocal compensation. In this regard, the Commission is swayed by the fact that the Brooks Agreement fails to include any language that separates or excludes ISP traffic from the definition of "local traffic." This is especially noteworthy since ¶1.38 of the Agreements, defining "Local Traffic," expressly excludes "intraLATA calls originated on a 1+ presubscription basis when available or a casual dialed (10XXX/101XXXX) basis" from the definition of "local traffic." It would have been equally easy for the parties to have expressly excluded Internet traffic from the definition of "local traffic" if they had so agreed. Given the comprehensive nature of the Agreements and the specificity with which they address virtually all interconnection issues, the absence of such an exclusion is persuasive evidence that the parties intended to include Internet traffic within the definition of "local traffic." Furthermore, Bell Atlantic's own tariff, referenced in the ICA at §1.38, permits its local exchange customers to call ISPs as local calls. This

Commission finds that a fair reading of the Brooks and NEVD Agreements is that the parties intended to include Internet traffic as local traffic, subject to reciprocal compensation.

Pursuant to the FCC's ITO, the Commission finds additional bases for concluding that the parties intended to treat Internet traffic as local and subject to reciprocal compensation. Paragraph 24 of the FCC's ITO notes that "state commissions have the opportunity to consider all of the relevant facts, *including [the FCC's] longstanding policy of treating this traffic as local, and the conduct of the parties pursuant to those agreements.*" [Emphasis added.] The FCC's historical treatment of Internet traffic as local buttresses our conclusion that if the parties had intended to exclude Internet traffic from local traffic they would have expressly provided so in their contract. Moreover, BA-RI treated Internet traffic as local by paying Brooks reciprocal compensation for such traffic following the execution of the Brooks Agreement.²⁹

Paragraph 24 of the ITO also sets forth guidelines that state commissions should follow to determine the intention of the parties with respect to reciprocal compensation for Internet traffic:³⁰

For example, it may be appropriate for state commissions to consider such factors as whether incumbent LECs serving ESPs (including ISPs) have done so out of intrastate or interstate tariffs; whether revenues associated

²⁹ See BA-RI Answer at ¶ 3 ("BA-RI admits that at the time of NEVD's adoption of the Brooks Agreement, Brooks Fiber was billing BA-RI for the termination of such traffic and that BA-RI was paying Brooks Fiber for termination of such traffic...").

³⁰ See ITO at ¶ 24.

with those services were counted as intrastate or interstate revenues; whether there is evidence that incumbent LECs or CLECs made any effort to meter this traffic or otherwise segregate it from local traffic, particularly for the purpose of billing one another for reciprocal compensation; whether, in jurisdictions where incumbent LECs bill their end users by message units, incumbent LECs have included calls to ISPs in local telephone charges; and whether, if ISP traffic is not treated as local and subject to reciprocal compensation, incumbent LECs and CLECs would be compensated for this traffic. These factors are illustrative only; state commissions, not this Commission, are the arbiters of what factors are relevant in ascertaining the parties' intentions (emphasis added).

Based on the pleadings, this Commission is in a position to construe and apply the FCC's factors for determining the intention of the parties. We find that the application of ¶ 24 of the ITO to the ICAs at issue demonstrates that the parties intended that Internet traffic be treated as local traffic, subject to reciprocal compensation. First, BA-RI has served ISPs out of intrastate tariffs.³¹ Second, revenues associated with Internet traffic are counted by BA-RI as intrastate or "local" revenue for separations purposes.³² Third, where BA-RI has charged its local exchange customers on a message unit basis, it has included calls to ISPs as local telephone charges.³³ Fourth, if ISP traffic is not treated as local and subject to reciprocal compensation, BA-RI and CLECs will not be compensated for this

³¹ See BA-RI Answer at ¶ 36.

³² See BA-RI Answer at ¶ 34.

³³ See BA-RI Answer at ¶¶ 12, 35 ("BA-RI admits that it allows its local exchange customers, including business exchange customers who pay usage charges, to call ISPs as local calls....")

traffic.³⁴ Finally, the definition of “local traffic” in the Brooks Agreement (as adopted by NEVD) fails to expressly exclude or segregate Internet traffic from the definition of “local traffic.” This fact is readily ascertained by simply comparing the definition of “local traffic” in §1.38 of the Brooks Agreement to the definition of “local traffic” in §1.41 of the ICA between BA-RI and Metromedia Fiber Work Services: the Brooks Agreement does not attempt to segregate Internet traffic from the definition of “local traffic”, while the definition in the Metromedia Fiber Agreement does.³⁵ Accordingly, our findings with respect to each of the factors set forth in ¶ 24 of the ITO support the conclusion that the parties to the Brooks and NEVD Agreements intended to treat Internet traffic as local traffic, subject to reciprocal compensation. The evidence uniformly and convincingly supports this conclusion.

Because our disposition of the issues raised in NEVD’s Petition is limited to the construction of NEVD’s ICA, we do not find it necessary to reach the alternative prayers for relief contained in NEVD’s Opposition.

Accordingly, it is

(15915) ORDERED:

1. Under the contractual terms of the Brooks and NEVD Interconnection Agreements, as well as under ¶ 24 of the *Internet Traffic*

³⁴ See BA-RI Answer at ¶ 3 (“The parties provided for compensation for local traffic only...and not non-local traffic, such as Internet traffic.”).

³⁵ See NEVD Opposition at p. 6.

Order, Bell Atlantic-Rhode Island and NEVD intended that Internet traffic be treated as local traffic, subject to reciprocal compensation.

2. BA-RI's Motion to Dismiss NEVD's Petition for Declaratory Judgment is denied.
3. AT&T's Motion to Intervene in this docket is denied.

EFFECTIVE AT PROVIDENCE, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON JUNE 29, 1999. WRITTEN ORDER ISSUED JULY 21, 1999.

PUBLIC UTILITIES COMMISSION

James J. Malachowski, Chairman

Kate F. Racine, Commissioner

Brenda K. Gaynor, Commissioner