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May 21, 1992

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James E. Farmer
Arthur Andersen & Co.
33 West Monroe Street
Chicago, Illinois 60603

Federal Communications Commission
Office of the Secretary

Re: Investigation of ONA Tariffs
CC Docket No. 92-91

Dear Mr. Farmer:

Pursuant to the Common Carrier Bureau's May 14, 1992 letter to intervenors in this proceeding, AT&T submits the following requested revisions to the methodology for review of the SCIS and SCM models described at the May 13 briefing from your firm. AT&T believes that these revisions will materially improve the results of the review process. AT&T also sets forth its understanding of certain activities that are already involved in the review process, or which your firm undertook to include in the review, based on the discussions at the May 13 briefing session. If, contrary to AT&T's understanding, any of these activities has not already been made part of the review process as modified through the May 13 discussions, AT&T requests that the review process be revised to include these items as well.

A. Requested Revisions to the Review Process

1. Arthur Andersen should review the criteria used in each company to select the offices chosen to create the model offices. If the BOCs used a sample of offices, Arthur Andersen should document the method for selecting these offices. Arthur Andersen should comment on the statistical validity of these selections.

2. Arthur Andersen should document the jurisdictional characteristics of the traffic data used in the studies that underlie the TRP data filed with the November 1, 1991 interstate ONA tariffs.

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3. Arthur Andersen should identify and review the results of any audit, attestation, procedural review or similar study performed on SCIS and/or SCM that has been filed in any intrastate proceeding. Its redacted report should identify the person or company that performed each such study, the jurisdiction in which the study was filed and the title and/or docket number of the proceeding, and describe all relevant findings in those studies concerning these models.

4. Arthur Andersen should review any testimony filed in state proceedings regarding the reasonableness or reliability of the use of SCIS and/or SCM to provide investment and/or cost support. Arthur Andersen, as part of its redacted report, should list all of the proceedings and identify the testimony reviewed, and describe all factual information therein relevant to the findings in its current review.

B. Understandings as to the Current Scope of Review

1. AT&T understands that Arthur Andersen is currently performing tests, as part of its review on SCIS and SCM, that will measure the degree of closure in the models. (AT&T defines closure as the sum of all of the investment primitives plus all of the switch feature investments being equal to the total capital investment of each switch type, in both the "average" and "marginal" processing modes.) AT&T therefore expects that the degree to which the model misses the closure point will be documented by company and switch type in the redacted version of the report.

2. AT&T understands that Arthur Andersen is currently performing "sensitivity" analyses on all input variables in each switch type and company. AT&T expects that this information will be provided in the redacted report to the extent that switch vendor specific price discounts are masked to protect competitively sensitive information.

3. AT&T understands that Arthur Andersen will test the models, as part of its sensitivity analyses, for the variability caused by vendor list price changes and discounts. These tests will be performed by using a randomly selected vendor discount and then incrementally changing the discount value and measuring the change between these two points. This information will be provided in the redacted report because the discounts used will be a random number.

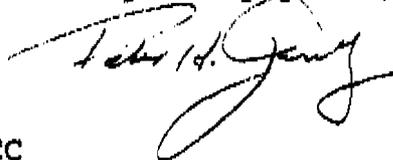
4. AT&T understands that Arthur Andersen will, as part of its sensitivity analysis, include an analysis based upon the most current version of the models and compare the results to those produced by the model version used for the November 1991 interstate ONA tariffs.

5. AT&T understands that Arthur Andersen will provide the results of its benchmark sensitivity analyses by interstate tariff entity for each BSE studied.

6. AT&T understands that Arthur Andersen will document the procedures used by the BOCs to aggregate their SCIS/SCM unit investments up to the interstate tariff entity using the TRP format.

7. AT&T understands that Arthur Andersen plans to further disaggregate each category on its "pie" chart of the causes of variability, so as to display the underlying causes in each category. For example, the sample chart displayed one category titled "Cost Methods." AT&T's understanding is that Arthur Andersen is planning to detail the contributing elements in this category on a separate pie chart.

Very truly yours,



cc: Office of the Secretary, FCC
Chief, Tariff Division, Common Carrier Bureau