

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Local Exchange Carrier Line
Information Database

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CC Docket No. 92-24

REBUTTAL

U S WEST Communications, Inc. ("USWC"), through counsel, hereby submits its rebuttal to oppositions and comments regarding its Direct Case filed in support of its Common Channel Signaling Access Capability ("CCSAC") and Line Information Database ("LIDB") tariff offerings.¹

I. INTRODUCTION

The opposition and comments, insofar as they discuss USWC's provision of LIDB service, reiterate allegations and concerns which, for the most part, have already been addressed by USWC. These matters fall into four general categories: the development and reasonableness of LIDB service rates, the degree of technical

¹USWC filed its Direct Case on April 21, 1992 ("USWC Direct Case"). Opposition to the direct cases of local exchange carriers ("LEC"), including that of USWC, were filed on June 5, 1992 by MCI Communications Company ("MCI") and Sprint Communications Company Limited Partnership ("Sprint"). Comments on the direct cases were filed on June 4, 1992 by Allnet Communication Services, Inc. ("Allnet") and on June 5, 1992 by the Competitive Telecommunications Association ("CompTel") and International Telecharge, Inc. ("ITI").

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specificity in the LIDB tariffs, the accuracy of the validation database and limits on LEC liability for calling card fraud.² As warranted, USWC will briefly readdress these matters herein.

II. USWC'S RATE DEVELOPMENT AND COST MODEL
COMPLY WITH THE COMMISSION'S RULES

A. The Part 32 Accounts Used By USWC Are Related To Provision
Of The LIDB and CCSAC Rate Elements

According to Sprint, the LECs subject to the instant investigation *may* not be using the Part 32 investment categories consistently and certain of the LECs *may* be inflating the investment by allocating portions of investment categories which are not used to provide the four rate elements at issue.³ USWC can not explain the variation in the investment categories used, the sums invested or the range in the resulting rates. Nevertheless, such variation and range, in and of themselves, do not constitute a showing that the investments and rates are unreasonable.

Notably, Sprint does not take issue with the categories and investments of USWC, which USWC attributes to the reasonableness of its rate development and the

²Another old claim, repeated here by MCI, is that LIDB service should be a non-chargeable tariff option. *See* MCI Opposition at 24. USWC has already refuted this baseless claim in its initial tariff defense, showing that it has followed the Federal Communications Commission's ("Commission") rules governing cost support material for new services. *See* USWC Reply to Petitions for Rejection or Alternatively for Suspension and Investigation, concerning USWC Revisions to Tariff F.C.C. No.1, Transmittal No. 203, filed Nov. 22, 1991, at 11-13 ("Transmittal 203 Reply"). USWC thus believes that no further discussion of this issue is warranted.

³*See* Sprint Opposition at 4-5.

resulting rates. The Part 32 categories used by USWC are clearly related to the provision of the four rate elements under investigation.⁴

B. USWC's Overhead Loading Factors Are Reasonable

Sprint and MCI challenge USWC's overhead loading factors. Sprint repeats its allegation that USWC has not applied a consistent loading factor to direct costs.⁵ MCI argues that USWC used different methods to develop factors for CCSAC and LIDB.⁶

As with Part 32 investments, USWC will not speculate as to the reasons underlying the range of overhead loading factors used by the subject LECs. However, USWC has fully explained and justified its overhead loading methodology and showing that neither CCSAC or LIDB service bears a greater proportion of overhead loadings than the service category as a whole.⁷ MCI is simply mistaken. While USWC's factors for CCSAC and LIDB service differ, USWC used the same methodology to develop them.⁸

⁴See USWC Direct Case at 16-17 & Attachment I.

⁵See Sprint Opposition at 6-7.

⁶See MCI Opposition at 22.

⁷See USWC Direct Case at 17-20. See also USWC Revisions to Tariff F.C.C. No.1, Transmittal No. 203 ("Transmittal No. 203"), filed Oct. 25, 1991, Description and Justification ("D&J"), Section 1 at 1-12 - 1-14 and Revised Workpaper 1.

⁸See *id.* See also Transmittal 203, D&J, Section 1, Revised Workpaper 1.

C. Public Disclosure of USWC's SS7 Cost Model Is Not Warranted

MCI contends that without access to the LECs' cost models, the Commission and LIDB customers have no means of judging whether the LECs' LIDB investment and rate levels are appropriate.⁹ Noting what it considers to be significant variation between the LECs' investments and rates, MCI draws an analogy between this proceeding and the Bureau's ongoing investigation of LEC Open Network Architecture ("ONA") tariffs.¹⁰ MCI also concludes that "[t]here can be no doubt" as to the similarity of the cost models at issue here and in the ONA investigation.¹¹ Without acknowledging the fact that the Common Carrier Bureau ("Bureau") did not require full public disclosure in the ONA investigation, MCI nevertheless asks that such disclosure be required in the instant proceeding.¹²

USWC agrees with MCI that the Switching Cost model ("SCM") at issue in the ONA investigation and the SS7 model at issue here are similar in modeling and partitioning techniques which are based on the same underlying cost principles. Both models employ the same conceptual framework to produce cost outputs that can be combined to determine the cost of a specific feature or service.

This modeling approach identifies hardware and software as planned to be engineered and deployed within USWC for both SCM switches and SS7 network

⁹See MCI Opposition at 20-22.

¹⁰See *id.* at 22. See also *Open Network Architecture Tariffs*, 7 FCC Rcd. 1512 (1992) ("*ONA Tariff Investigation Order*").

¹¹MCI Opposition at 22-23.

¹²See *id.* at 23.

components. The partitioning methodology separates equipment and software investments according to function. The functional investments are used to develop unit cost model outputs based on the same long-run incremental cost principles in each model. In both cases, the cost model outputs are designed to be forward-looking and stable.¹³ Given the similarity between USWC's SCM and SS7 model, USWC believes that, for all the reasons applicable to SCM, the SS7 model must also be deemed competitively sensitive and exempted from mandatory disclosure, as explained by the Bureau in its *SCIS In Camera Order*.¹⁴

Moreover, USWC believes that it has justified its use of the SS7 model and has shown that the modeling techniques and resulting outputs are reasonable. At the very most, given the similarity between the models, USWC suggests that a less expensive and less time-consuming approach is warranted should the Bureau wish to subject the SS7 model to more extensive scrutiny. USWC urges the Bureau to adopt an abbreviated approach based on the findings of the independent auditor in the ONA tariff investigation to evaluate the cost models used for LIDB. Using those findings as a foundation, the Bureau itself could conduct an *in camera* review of the SS7 model.

¹³There are some differences between the two models. The SS7 model is less complex than the SCM. In the former, equipment components are combined into fewer cost models outputs. The SS7 models include only the switch equipment and software associated with the SS7 network, while the SCM includes only the switch equipment and software that can work without the SS7 network.

¹⁴See *Commission Requirements for Cost Support Material To Be Filed With Open Network Architecture Access Tariffs (In Camera Submissions)*, 7 FCC Rcd. 521 ¶2 (1991) ("*SCIS In Camera Order*"); Petition for Contingent Waiver and Petitions for Waiver and Clarification of USWC, in DA 91-1169, filed Sept. 27, 1991, at 2-6; Application for Review and Petition for Stay of USWC in DA 91-1169, filed Oct. 4, 1991, at 6-10.

To go through the same process, from start to finish, as was deemed appropriate in the ONA tariff investigation, seems wasteful to USWC and would set an unfortunate pattern of delay for future service offerings.

D. USWC'S SS7 Model Cost Classifications Are Reasonable

Allnet takes issue with the manner in which USWC identified LIDB costs, asserting that "the classifications that [USWC] has created ('Volume Sensitive Unit Cost,' 'Joint Fixed Cost,' and 'Average Unit Cost') appear to be categories created and uniquely defined by [USWC]--thus deviating from standard cost allocation principles."¹⁵ USWC regrets any confusion its discussion of the SS7 model may have caused and, below, responds to Allnet's questions.

First, Allnet may be confusing long-run incremental cost methodology with that of jurisdictional cost allocation.¹⁶ The terminology used by USWC, in this matter, is designed to reflect long-run incremental costing principles and not jurisdictional separations.

Allnet also seems mistaken with respect to the investment included in Volume Sensitive Unit Cost and Average Unit Cost.¹⁷ Volume Sensitive Unit Cost contains the investment for capacity that is available for use by customer demand and administrative spare. As to Average Unit Cost, both Joint Fixed Cost and Volume Sensitive Cost are included in the Average Unit Cost.

¹⁵Allnet Comments at 6.

¹⁶See *id.* at 6.

¹⁷See *id.*

Allnet also argues that USWC's Joint Fixed Cost classification, as Allnet understands it, makes no sense.¹⁸ USWC hopes that the following amplification will clear up any confusion over this term. The Joint Fixed Cost in the SS7 model is not expressed on a per unit basis, but is included in the Average Unit Cost. Allnet's assumptions are correct in that the Joint Fixed Cost is the total cost associated with the investment that is not exhaustible and does not vary in the long run with usage. However, Joint Fixed Cost on a unit basis can be derived by subtracting the Volume Sensitive Unit Cost from the Average Unit Cost.

USWC also wishes to clarify the issue of spare capacity. As stated in USWC's Direct Case, no investment spare capacity is included in Joint Fixed Cost. Although spare capacity has not been uniquely identified in the Joint Fixed Cost, it is included in the Average Unit Cost and would be included in the Joint Fixed Unit Cost derived as discussed above.

III. USWC'S TARIFF PROVIDES SUFFICIENTLY DETAILED DESCRIPTION OF LIDB SERVICE

The extent to which technical and operational detail related to LIDB and CCS interconnection must be included in the tariff has already been discussed at length.¹⁹ These issues are again raised by MCI and Allnet.²⁰

¹⁸See Allnet Comments at 7.

¹⁹See, e.g., USWC Direct Case at 3-12.

²⁰See MCI Opposition at 6-10; Allnet Comments at 3.

First, USWC has discussed its fraud controls, *e.g.*, velocity checking, traffic algorithm adjustments, and sees no need to say more on this question. It is USWC's practice to work closely with all interested parties to provide a valuable and reliable service. The operational details of fraud controls, USWC believes, are better left outside of the tariff, to be discussed during direct interaction with the LIDB customer. Contrary to MCI's allegation that the "[LECs'] actual performance under the LIDB tariffs has been so poor,"²¹ USWC is unaware of any specific information and MCI has provided none, that shows USWC's validation data is inaccurate.

In addition, much of the information MCI would require in the tariff,²² USWC already has included in its tariff, in publicly available technical publications referenced in its tariff.²³ Other information sought by MCI has been provided in this proceeding or is made available in the ordinary course of customer contacts.

Allnet's concern regarding the technical differences between 56 kilobits per second ("kbps") special access lines and the 56 kbps CCS interconnection link has

²¹MCI Opposition at 7. This claim by MCI is puzzling since MCI has used USWC's LIDB service only since the end of April 1992.

²²*See id.* at 6-7.

²³USWC has already agreed to supply the dates of the latest revisions of all referenced technical publications. *See* USWC Tariff F.C.C. No. 1, Transmittal No. 257, filed May 1, 1992 ("Transmittal 257") and USWC Reply to Petition to Reject or, in the Alternative, Suspend and Investigate, concerning Transmittal 257, filed May 18, 1992, at 6-7.

already been addressed adequately and need not be repeated here.²⁴ Similarly, USWC sees no need to repeat its discussion of network controls and "call gapping."²⁵

IV. THE MUTUAL HONORING AGREEMENTS ARE BEYOND THE SCOPE OF THIS PROCEEDING

CompTel and ITI suggest that the LECs have entered into mutual honoring agreements ("MHA") with the American Telephone and Telegraph Company ("AT&T") which impose greater liability on the LECs for validation errors and calling card fraud than the LECs are willing to offer under their LIDB tariffs.²⁶ CompTel and ITI base these suggestions on AT&T submissions in CC Docket No. 91-115.²⁷

Initially, USWC must point out that the MHAs are beyond the scope of the instant tariff investigation and should not be addressed here. This is simply another attempt to shift to LECs the ultimate responsibility for the collection of interexchange carrier ("IXC") interexchange or international toll rates. As stated, USWC's return of a positive response to a LIDB query signifies simply that USWC would process the call if it were an intraLATA call. The IXC makes the final decision, based upon its own business judgment, to accept or refuse calls for completion over its network.²⁸

²⁴See USWC Direct Case at 10-12.

²⁵See *id.* at 8-10.

²⁶See CompTel Comments at 3-4; ITI Comments at 3-4.

²⁷See *Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards*, CC Docket No. 91-115, *Report and Order and Request for Supplemental Comment*, FCC 92-168, rel. May 8, 1992.

²⁸See USWC Direct Case at 5-8 (quoting from USWC's Transmittal 203 Reply at 16-19).

Moreover, even if the MHAs were within the scope of this proceeding, CompTel's and ITI's arguments would be unavailing. Simply stated, USWC is not obligated under its MHA with AT&T to buy AT&T accounts receivable or to assume AT&T uncollectibles.

Because these claims are not pertinent to this investigation, in addition to being incorrect, they must be rejected.

V. CONCLUSION

As demonstrated in its Direct Case and in this Rebuttal, USWC's CCSAC and LIDB tariff terms and conditions are consistent with the Commission's rules. Accordingly, USWC urges the Bureau to find that USWC's CCSAC and LIDB tariff provision are lawful.

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June 15, 1992

CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify on this 15th day of June, 1992, that I have caused a copy of the foregoing **REBUTTAL** to be served, via first class United States mail, postage prepaid, to the persons named on the attached service list.



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