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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the Matter of	)	
	)	
Local Exchange Carrier	)	CC Docket No. 92-24
Line Information Database	)	

REBUTTAL OF THE GTE TELEPHONE OPERATING COMPANIES

GTE Service Corporation on behalf of
its affiliated GTE domestic telephone
operating companies

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June 15, 1992

THEIR ATTORNEY

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SUMMARY

In Transmittals Nos. 691 and 692 and the GTE Direct Case, the GTOCs have shown that their CCS7 and LIDB rates are just and reasonable. The GTOCs have provided substantial information supporting the proposed rate elements, technical standards and cost allocations for LIDB service in response to the Commission's Designation Order. By this Reply, the GTOCs respond to issues raised in the oppositions to their Direct Case. The GTOCs will show that the generalized oppositions do not support a finding of unreasonableness.

The proposed rates were justified in accordance with the procedures for new services in the Price Cap rules. The GTOCs showed that the rates proposed satisfied the net revenue test. In the future, the CCS7 and LIDB Query rates will be rolled into the appropriate Price Cap baskets. This procedure was adopted in the Price Cap rules to prevent cross-subsidization. Generalized allegations that the GTOCs are or will cross-subsidize through these rates are completely unfounded and unsupported.

The extent of LIDB updates and LIDB accuracy is adequately set forth in the GTOCs' LIDB tariff. The GTOCs' limitation of liability not to exceed the charge for the LIDB query is reasonable and is consistent with their liability for other common carrier services provided by tariff. The LEC's responsibility for LIDB service should be no greater than any other common carrier service offered.

Finally, there is no inconsistency between the GTOCs' treatment of validation services under the LIDB tariff and billing and collection services offered as deregulated services under contract. GTE is willing to engage in calling card reciprocity agreements with all IXCs. There is nothing on this record which would support the effective re-regulation of billing and collection services.

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REBUTTAL OF THE
GTE TELEPHONE OPERATING COMPANIES

GTE Service Corporation, on behalf of its affiliated GTE Telephone Operating Companies ("the GTOCs"), hereby submits its rebuttal comments to the opposition of Allnet Communications Services, Inc. ("Allnet"), The Competitive Telecommunications Association ("CompTel"), International Telecharge, Inc. ("ITI"), and MCI Telecommunications Corporation ("MCI"), filed in the above-captioned tariff investigation in accordance with the Order Designating Issues for Investigation ("Designation Order"), DA 92-347, released March 20, 1992.

<u>The GTOCs have provided the necessary information to justify the reasonableness of their CCS7 and LIDB tariffs.</u>

In its Comments On Direct Cases, Allnet (at 1) presents the generalized claim that the CCS7 access and LIDB query rates of all the LECs are excessive and will result in excess profits which will be used to cross-subsidize other services. Such claims are unsubstantiated and wrong. The GTOCs demonstrated in their Direct Case that the rates proposed for LIDB Query and

CCS7 Access will simply recover each rate element's relevant cost in accordance with the guidelines for new services as set forth in the Price Caps Orders.

Not only are the GTOCs prevented from proposing an excessive rate for any service initially, they are also prevented from raising that rate to an excessive level in the future by Price Cap banding mechanisms. After an initial period, the LIDB Query and CCS7 Access rate elements will be rolled into the appropriate Price Cap baskets. The Price Cap rules were designed to protect against cross-subsidization by restricting the movement of prices within each respective service band by only plus or minus five percent per year. Thus, Allnet's claims of excessive profits are unfounded.

Allnet (at 2) asserts that the LECs should be required to describe minimum performance standards. Allnet does not specify which LECs did not include minimum performance standards. The GTOCs' access tariff, GTOC Tariff FCC No. 1 contains performance standards outlining the GTOCs' obligations with respect to LIDB Query service in the following areas: LIDB Validation System Updates; CCS7 Network Performance; LIDB Validation System (performance); and LIDB Query Gapping. GTE believes that this embodies all the Commission's suggestions for performance standards and adequately and completely describes the service offering.[1]

Similarly, Allnet (at 3) broadly charges that all the LECs failed to include minimum technical standards, with versions and dates of any applicable technical references, in their tariffs. This is simply wrong with regard to the GTOCs. As shown in the GTOCs' Direct Case, additional technical detail,

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1 In fact, MCI (at 10) notes the GTOCs' responsiveness for including LIDB validation system performance standards in their tariff.

describing the CCS interconnection link as well as the STP and Port, have been included in the GTOCs' tariffs. The technical publications, the date and version of such publications, and where such publications were available were properly incorporated into the tariff.

Allnet further asserts (at 6) that the carriers have failed to fully explain their cost allocations. In Transmittals Nos. 691 and 692 and the Direct Case, the GTOCs have provided substantial information supporting the proposed rate elements for LIDB service. As explained, the allocation of STP/SCP and related SS7 equipment was made based upon either direct assignment to LIDB or prorated assignment to LIDB, based upon relative SS7 traffic across a specific piece of equipment. The cost of capital was identified as 11.25%, and the annual charge expense factors are supported by the company books, an approach which has been submitted and accepted as reasonable by this Commission for many previous filings. Thus, the GTOCs believe that the supporting information sufficiently responds to the Commission's inquiry and adequately describes the service proposed as required by the Commission's rules.

<u>Unsupported general allegations cannot support a finding of unreasonableness for the GTOCs' CCS7 and LIDB offerings.</u>

In its opposition to the LECs' Direct Cases, MCI, with few exceptions, characterizes all the LECs with all the same shortcomings, "strongly disagreeing with most of the conclusions drawn by the LECs". Only in few instances of 37 pages of direct case opposition does MCI allege specific failures or shortcomings of the LECs' proposals, and these are usually unsupported. Such generalized claims cannot support a finding of unlawfulness.

The GTOCs' Direct Case provided clear and detailed responses to all the applicable issues raised in the Designation Order. Although it is impossible to respond to each allegation in MCI's "shotgun" approach, the GTOCs will respond to those issues which may apply to the GTOCs and will highlight some of the inconsistencies of the MCI opposition. MCI (at 4) asserts that the LECs have failed to justify the lack of details in the LEC tariffs describing LIDB Query service, but, nonetheless MCI recognizes (at 10) that the GTOCs' tariff already contains many of these details.

MCI complains (at 5) that some LECs do not update their database on weekends and that some LECs do not have a single point of contact available 24 hours each day to resolve end user complaints. The GTOCs' proposal anticipates emergency situations.[2] Procedures are in place to receive and resolve necessary updates on a daily basis.

MCI (at 5) suggests that the proposed tariffs are deficient because a schedule of downtime for LIDB maintenance is not provided in the tariff. This is not a tariff issue. LIDB Query service is supported by two LIDBs and only one LIDB is turned down for maintenance at any given time. Because of the redundancy built into the system, one LIDB is designed to handle the full validation load at any period of time. Furthermore, since maintenance is completed at low traffic periods, the customer will experience no service deterioration from LIDB maintenance. In any case, GTE will work cooperatively with all customers subscribing to CCS7 Access and LIDB Query service to provide at least 24 hours notice prior to any LIDB maintenance.

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2 See GTOC Tariff FCC No. 1, Section 8, Ancillary Services, Paragraph 8.8(C)(1): "Emergency or priority updates will be made reflecting lost, stolen, or otherwise compromised calling cards on at least a daily basis." On a daily basis includes weekends.

MCI (at 6-7) provides a wish list of what it wants in the LECs' CCS7 Access and LIDB Query service tariffs. Most of these issues are already addressed in the GTOCs' tariff or do not belong in the tariff.[3] In any event, all of the listed items were discussed in the GTOCs' Direct Case or in this Reply.

MCI (at 18) suggests that there are inconsistencies with regard to the 56 kbps or DS1 services found in the Special Access section of the GTOCs' tariff and the 56 kbps or DS1 services used as CCS7 interconnection links. At issue in the Designation Order was, "Should the tariffs contain additional detail regarding the technical parameters for the Common Channel Signal (CCS) interconnection link?" In fact additional technical reference, as contained in the Bellcore Technical Reference Publication TR-TSV-000905, and as clearly discussed in the GTOCs' Direct Case (at 13), was necessary, in part to explain the relationship of the interconnecting link and the STP Port. MCI (at 19) further confuses this issue by stating that all the LECs used their tariffed 56 kbps DDS rates as the rates for their CCS interconnection. MCI's statement is wrong with regard to the GTOCs. In Transmittal No. 691, the GTOCs filed separate and fully cost supported rates for a 56 kbps and DS1 Dedicated Switched Access Line (DSAL), 56 kbps and DS1 Dedicated Switched Access Transport (DSAT), and an RSTP Port Termination, pursuant to the Commission's Memorandum Opinions and Orders, DA 91-1258 and DA 91-1259, released October 4, 1991.

MCI (at 20) challenges the level of investment for the GTOCs' LIDB transport, suggesting that it is 43 times higher than BellSouth's. Comparing one carrier's investment with that of another is irrelevant. GTE has developed an

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3 Item 2 on MCI's shopping list is the identification of other LECs' line information stored in the GTOCs' LIDB. While this information is important administratively, it is unnecessary to include in the tariff.

SS7 network that is more geographically dispersed than BellSouth's. GTE's nationwide network covers 40 state jurisdictions whereas BellSouth's regional network covers only eight states, all located in the southeastern United States. GTE leases dedicated links to connect the California STP to the Illinois/Indiana STP/SCP. This, plus smaller economies of scale, explains much of the difference between the GTOCs' LIDB Query Transport rate and other regional carriers. The relevant determination is whether the GTOCs' have sufficiently justified their investment. As shown in the transmittals and the Direct Case[4], the GTOCs have met this burden.

Finally, MCI argues (at 24) that LIDB query should be provided as a non-chargeable option. GTE opposes such a plan since this would spread the cost to all ratepayers instead of the cost causers. MCI argues further that if the LECs are permitted to recover incremental LIDB costs and a reasonable overhead, the tariffed rates should not be priced above fully distributed cost. The GTOCs' LIDB Query rates were set at, not above, fully distributed cost. The GTOCs used a long run incremental costing methodology in making cost estimates, added reasonable overhead loadings and set rates to recover these costs.[5]

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[4] Notwithstanding the detailed explanation already provided by the GTOCs in Transmittal Nos. 691 and 692 and the Direct Case, MCI argues generally (at 23, n.42) that the GTOCs should be required to provide more specific details regarding their investment calculations. Without specific details as to the alleged deficiencies in that material which has already been submitted, the GTOCs cannot respond further.

[5] The rates were set at the fully distributed cost level, with only slight increases to allow for rounding.

<u>The GTOCs have adequately set forth
their responsibility for LIDB accuracy.</u>

All of the oppositions raise the matter of database accuracy asserting that the LECs must assume responsibility for the accuracy of their database information. The GTOCs have answered this assertion in sufficient detail in their original transmittal and in their Direct Case[6]. The extent of LIDB updates and LIDB accuracy is adequately set forth in the GTOCs' LIDB tariff. The GTOCs' limitation of liability not to exceed the charge for the LIDB query is reasonable and is consistent with their liability for other common carrier services provided.. The LEC's responsibility for LIDB service should be no greater than any other common carrier service offered. To require the LEC to assume a higher level of risk would be unreasonable.

ITI (at 6) suggests that there is an inconsistency between the allocation of risk of liability among the LECs and AT&T and the LECs and other IXCs. ITI has raised a billing and collection issue, not a validation issue. These billing and collection functions have been deregulated and are beyond the scope of this investigation. In any case, GTE has offered such agreements nondiscriminately to all IXCs. The Mutual Honoring Agreements ("MHA") are agreements for the purchase and sale of accounts receivable, not validation agreements. This practice is not new and is not limited to AT&T. GTE has invited other IXCs to enter into calling card reciprocity agreements. However, most have declined.[7]

Both ITI and Comptel assert that the Commission should take jurisdiction over these MHAs, in effect to re-regulate billing and collection. There is clearly

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6 <u>See</u> GTOCs' Direct Case at 3-6.

7 Many IXCs would prefer to have their customers bypass the LECs' network for intraLATA calling by dialing 10XXX.

no evidence on this record to take such an action. Moreover, such action is completely unnecessary since billing and collection has been competitive for many years.

MCI (at 13) recommends that the LECs establish a fraud prevention system. The GTOCs have in operation a calling card fraud prevention system essentially the same as that recommended by MCI[8], except that the LIDB validation system does not have the capability to establish suspected fraud threshold levels for collect or billed to third number call validation attempts. Fraud threshold levels for collect or third number call validation attempts is not system standard. When a calling card reaches a certain level of suspected fraud threshold, the GTOCs will, depending upon that threshold level, either refer the calling card account to a billing center for investigation or automatically deactivate that card's PIN number. If the card account is referred to a billing center for investigation, that investigation may include a customer contact. Although MCI appears to be suggesting that the LECs should have the capability to ensure that one hundred percent of all the calling cards in their respective LIDBs are authorized, such a standard is not possible. No calling card or commercial credit card validation system can be so perfect as MCI suggests. Moreover, as set forth in detail in the GTOCs' Direct Case, the rates developed for the LIDB query do not include such insurance.[9]

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8 See GTOC Tariff FCC No. 1, Section CITE: "The Telephone Company will monitor calling card validation and take timely steps to generate high usage reports to detect and stop fraudulent calling card use."

9 MCI's threat (at 17) "to randomly and broadly block LEC cards" would be a tremendous disservice to the public and is unreasonable and irresponsible.

CONCLUSION

The GTOCs have completely and adequately supported their CCS7 and LIDB tariffs. For the foregoing reasons, the Commission should terminate this investigation without adjusting the rates as proposed.

Respectfully submitted,

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By ____________________

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