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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20054

ORIGINAL FILE

In the Matter of	)	
	)	
Amendment of the Part 69	)	CC Docket No. 92-222
Allocation of General Support	)	
Facility Costs	)	

REPLY COMMENTS

U S WEST Communications, Inc. ("U S WEST"),[1] through counsel and pursuant to the Federal Communications Commission's ("Commission") Notice of Proposed Rulemaking ("NPRM"), released October 19, 1992,[2] hereby replies to comments filed in response to the Commission's proposed change in Section 69.307 of its rules[3] on the allocation of General Support Facilities ("GSF") costs.[4]

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[1]U S WEST is a common carrier provider of exchange access and exchange telecommunications services.

[2]See Report and Order and Notice of Proposed Rulemaking, CC Docket No. 91-141 and CC Docket No. 92-222, FCC 92-440, rel. Oct. 19, 1992, at ¶¶ 267-69.

[3]See 47 C.F.R. § 69.307.

[4]Comments were filed by the following parties: GTE Service Corporation ("GTE"); Cincinnati Bell Telephone Company ("CBT"); NYNEX Telephone Companies ("NYNEX"); Ameritech Operating Companies ("Ameritech"); BellSouth Telecommunications, Inc. ("BellSouth"); Rochester Telephone Corporation ("Rochester"); Bell Atlantic Telephone Companies ("Bell Atlantic"); MFS Communications Company, Inc. ("MFS"); Teleport Communications Group ("TCG"); Pacific Bell and Nevada Bell ("Pacific Companies"); MCI Telecommunications Corporation ("MCI"); Sprint Communications Co. ("Sprint"); United Telephone Companies ("United"); Southwestern Bell Telephone Company ("SWBT"); American Telephone and Telegraph Company ("AT&T"); General Services Administration ("GSA"); John Staurulakis, Inc. ("JSI"); United States Telephone Association ("USTA"); National Exchange Carrier Association, Inc. ("NECA"); Southern New England

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I. INTRODUCTION

In its NPRM, the Commission proposed revising Part 69.307 to eliminate "the only significant non-cost-based support flow" affecting LEC special access rates -- that is, the over-allocation of GSF costs to special access.[5] The Commission's proposed remedy consisted of revising Part 69.307 to include subscriber line investment in cable and wire facilities investment.[6] U S WEST supported the Commission's proposed rule change in its comments.

Twenty-one of the twenty-two parties filing comments in this proceeding, including U S WEST, endorsed the Commission's proposed rule change on allocating GSF costs to Part 69 categories. The only party opposing the Commission's GSF proposal was the D.C. PSC.[7] The D.C. PSC's extreme sensitivity to the Commission's GSF proposal appears to be more of a cumulative reaction to separations changes which have had a disproportionate impact on District of Columbia local exchange rates rather than an "independent" response to the Commission's

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Telephone Company ("SNET"); Public Service Commission of the District of Columbia ("D.C. PSC") and U S WEST.

[5] NPRM at ¶ 147.

[6] See id. at ¶ 267.

[7] The D.C. PSC's opposition stems more from the possible impact on subscriber line charges than from disagreement with the Commission's desire to eliminate the over-allocation of GSF costs to special access. The fact that the D.C. PSC also supports a contribution charge corroborates this view. See D.C. PSC at 4-5.

GSF proposal.[8]

No party other than the D.C. PSC favors levying a contribution charge in place of the Commission's proposed GSF rule change. A number of parties support the use of a contribution charge as a "second best alternative" if the Commission determines that Part 69.307 should not be changed at the present time.[9]

While industry participants, including local exchange carriers ("LEC"), interexchange carriers ("IXC") and competitive access providers ("CAP"), unanimously supported the Commission's GSF proposal, they diverged somewhat on implementation issues. In the comments which follow, U S WEST addresses these implementation issues.

II. COST REALLOCATIONS ASSOCIATED WITH THE COMMISSION'S PROPOSED REVISIONS TO PART 69.307 SHOULD BE GIVEN EXOGENOUS TREATMENT UNDER PRICE CAP RULES

BellSouth and GTE observe that the Commission's proposed revision of Part 69.307 -- by itself -- will have no direct impact on the rates of price cap LECs.[10] Special access and other rates of price cap LECs will only be adjusted if GSF cost reallocations are also treated as exogenous cost changes in

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[8] See id. at 1-4.

[9] See Pacific Companies at 4; NYNEX at 6-7; United at 4; Rochester at 10-11; SNET at 3-4.

[10] See BellSouth at 3; GTE at 2.

accordance with Part 61.45(d) of the Commission's rules.[11] Without exogenous cost treatment, the Commission will be unable to achieve its objective of more appropriately aligning rates and costs. As such, U S WEST urges the Commission to allow price cap LECs to treat GSF cost reallocations as exogenous cost changes simultaneously with the adoption of the Commission's proposed Part 69.307 rule change. To do otherwise would be at odds with the Commission's price cap rules and would effectively negate the effects of the Commission's Part 69 rule change for price cap LECs.

Teleport and MFS, while supporting the Commission's proposed change of Part 69.307, express concern that price cap LECs will use GSF cost reallocations to reduce DS1 and DS3 rates by disproportionate amounts (i.e., vis-a-vis other special access services).[12] Teleport suggests that the Commission use a rate adjustment factor ("RAF") to resolve this problem[13] while MFS urges the Commission to prescribe safeguards.[14] Neither remedy is necessary.

The Commission's rules for calculating price cap indices and the existence of subindices for DS1 and DS3 service limit LEC price reductions associated with any exogenous cost

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[11]See Bell Atlantic at 2-3, Pacific Companies at 3, USTA at 8-10, NYNEX at 2-3.

[12]MFS at 4-6, Teleport at 2-5.

[13]Teleport at 3-5.

[14]MFS at 6.

change such as a GSF reallocation.[15] It is true that price cap LECs may not chose to price DS1 and DS3 service to the limit (i.e., the Actual Price Index ("API") might be less than the PCI). However, LECs are free to reduce DS1/DS3 rates within the +/-5% subindex constraints contained in the price cap rules -- exogenous cost treatment does not give LECs any greater pricing freedom for these services.[16] Additional constraints suggested by Teleport and MFS would serve no purpose and would offer no

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[15]For example, if the price cap index ("PCI") for the Special Access Basket and subindices for DS1 and DS3 service were all at 100 and an exogenous change reduced the Special Access PCI by 10% to 90 the subindices for DS1 and DS3 service would also be reduced by 10% to 90. LECs are required to calculate such adjustments to the PCI and subindices in accordance with Section 61.47(a) which states:

> Adjustments to the [Service Band Index] SBI; pricing bands. - (a) In connection with any price cap tariff filing proposing changes in the rates of service categories, the carrier must calculate an SBI value for each affected service category pursuant to the following methodology:
>
> $SBI_t = SBI_{t-1}[\Sigma_i \ v_i(P_t/P_{t-1})_i]$
>
> where
>
> SBI_t = the proposed SBI value,
>
> SBI_{t-1} = the existing SBI value,
>
> P_t = the proposed price for rate element "i,"
>
> P_{t-1} = the existing price for rate element "i," and
>
> v_i = the current estimated revenue weight for rate element "i," calculated as the ratio of base period demand for rate element "i" priced at the existing rate, to the base period demand for the entire group of rate elements comprising the service category priced at existing rates.

[16]See 47 C.F.R. § 61.47(a) and § 61.45(c) and (d).

greater protection than the current price cap rules. Therefore, the Commission should reject the proposals of MFS and Teleport.

III. THE COMMISSION SHOULD MOVE EXPEDITIOUSLY IN ADOPTING AND IMPLEMENTING ITS PROPOSED GSF RULE CHANGE

U S WEST, Ameritech, CBT and others stress the importance of adopting the proposed change to Part 69.307 in an expeditious manner.[17] U S WEST urges the Commission to adopt and implement its rule change no later than the effective date of its expanded interconnection tariffs, currently scheduled for May 17, 1993. CBT urges the Commission to adopt the GSF rule change by February 1, 1993, so that this change can be reflected in 1993 Annual Access tariffs.[18] Ameritech notes that its expanded interconnection tariffs are scheduled to become effective later in December 1992 and asks the Commission to move quickly on its proposed GSF rule change.[19] No party suggests that the Commission should delay the reallocation of GSF costs. Therefore, the Commission should implement its proposed rule change at the earliest possible date but no later than July 1, 1993, the effective date for 1993 Annual Access tariffs.

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[17] See U S WEST at 7, Ameritech at 3, CBT at 2-4. See also GTE at 3-4, NYNEX at 7, JSI at 2 and SNET at 2-3.

[18] CBT at 2.

[19] Ameritech at 3.

IV. THE COMMISSION SHOULD TAKE STEPS TO INCREASE RESIDENTIAL SUBSCRIBER LINE CHARGES TO COVER COSTS ASSOCIATED WITH GSF REALLOCATIONS AND OTHER NON-TRAFFIC SENSITIVE COST MISALLOCATIONS

LEC common line costs will increase with the adoption of the Commission's proposed rule change. Under current Commission rules, common line costs are recovered through end-user common line charges ("Subscriber Line Charges" or "SLC") and the carrier common line charge ("CCL charge").[20] SLCs are flat-rated monthly charges which are levied on end-users while the CCL charge is a traffic sensitive charge which is applied to all carrier switched minutes of use transiting LEC networks.

As AT&T notes, the majority of the GSF reallocation will be recovered through increased CCL charges due to limits on SLCs.[21] Thus, while the proposed change to Part 69.307 addresses the issue of GSF misallocations, it says nothing about the manner in which GSF costs will be recovered from ratepayers. Without further rule changes LECs will be in the position of recovering non-traffic sensitive costs (i.e., GSF costs) through a traffic sensitive rate element -- the CCL charge. This problem can be alleviated, as commenters suggest, by a modification of the Commission's rules to allow LECs to increase their SLCs above $3.50 per month for residence and single line business

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[20] See 47 C.F.R. §§ 69.104 - 69.105.

[21] AT&T at 6-7.

customers.[22] U S WEST supports such a change as the most economically efficient means of recovering GSF reallocations and other non-traffic sensitive cost misallocations. Clearly, the Commission cannot increase residential and single line business SLCs above $3.50 in this proceeding. U S WEST urges the Commission to initiate a proceeding to increase SLCs, as GTE has suggested.[23]

V. CONCLUSION

As discussed above, the Commission should adopt and implement its proposed modification to Part 69.307 at the earliest possible date. The Commission should also initiate a proceeding to increase the allowable level of subscriber line charges which may be levied on residence and single line business customers.

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December 21, 1992

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[22] See CBT at 4; NYNEX at 3-6, GTE at 4-6.

[23] GTE at 5-7.

CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify on this 21st day of December, 1992, that I have caused a copy of the foregoing **REPLY COMMENTS** to be hand delivered to the persons named on the attached service list.

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