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PACIFIC TELESIS
Group-Washington

ORIGINAL

December 21, 1992

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Donna R. Searcy
Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Ms Searcy:

Re: *CC Docket No. 92-222 - Amendment of Part 69 Allocation of General Support Facility Costs*

On behalf of Pacific Bell and Nevada Bell, please find enclosed an original and six copies of their "*Reply Comments*" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

Jo Ann Goddard/WFA

Enclosures

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List A B C D E

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

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DEC 21 1992

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

REPLY COMMENTS OF PACIFIC BELL AND NEVADA BELL

Pacific Bell and Nevada Bell (the "Pacific Companies") hereby respond to selected issues raised in the comments filed in the above-captioned proceeding.

The Pacific Companies note that there is widespread support in the comments for the Commission's proposal to allow the allocation of General Support Facilities ("GSF") investment to Category 1.3 (common line). The only commenter that raised a complete objection to the proposal was the District of Columbia Public Services Commission ("D.C. PSC").

The D.C PSC opposes the the proposed rule change because it believes that the change would increase the subscriber line charge for ratepayers and have detrimental effect on universal service in the District of Columbia.[1] The D.C. PSC states that in the last nine years the telephone penetration rate has dropped from 96.1 percent to 90.3 percent and that there is a direct correlation between rule changes that increased telephone

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[1] Comments of the D.C. PSC, p. 2.

rates and the decline in the telephone penetration rate.[2] This argument is not new. The National Association of State Utility Consumer Advocates tried it unsuccessfully in response to CC Docket 87-339, in order to block the last Subscriber Line Charge ("SLC") increase which raised the SLC to the current rate of $3.50 per month.[3]

The Pacific Companies believe that there may be many valid reasons why telephone penetration has dropped in the District of Columbia but that the D.C. PSC has provided no evidence to conclude that a small increase in the SLC will necessarily advance the downward trend.[4] Moreover, many jurisdictions are already at the current $3.50 cap for residence and single line customers. Thus, any additional costs to common line as a result of the proposed rule change will generally be recovered from an increase in the carrier common line charge which interexchange carriers pay, not end users, or through an increase in the multiline business end user common line charge ("EUCL"). Neither of these options would affect residence or single line business rates. Consequently, the proposed change should have little or no effect on telephone penetration rates even assuming that there is a direct relationship between an

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[2] Id. at pp. 3-4.

[3] Comments of National Association of State Utility Consumer Advocates, CC Docket 87-339, filed on August 29, 1988.

[4] The D.C. PSC has not indicated whether it has promoted the Lifeline or Link-up America programs which are designed to offset the effect of interstate end user charges on local rates paid by Lifeline qualified customers.

increase in the SLC and a decrease in telephone penetration rates.

Teleport Communications Group ("TCG") recommends that the Commission use a Rate Adjustment Factor ("RAF") to ensure that all Special Access customers receive an equitable benefit from this reallocation of GSF investment.[5] TCG's argument that a RAF would have been required prior to the change to price cap regulation is irrelevant. Price cap regulation has been in effect for two years. Use of a RAF is an attempt to impose a component of rate of return methodology in the price cap environment. TCG offers no compelling reasons why a reallocation of GSF investment requires a deviation from the principles of price cap regulation. As the Pacific Companies stated in their comments, the proposed reallocation should be treated as exogenous under the Part 61 Price Cap rules.[6] Accordingly, LECs should have an opportunity to adjust their rates to reflect the reallocation of GSF investment consistent with the price cap rules.

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[5] Comments of TCG, p. 3.

[6] Comments of Pacific Bell and Nevada Bell, p. 13.

In conclusion, the Pacific Companies continue to support the Commission's proposed rule to reallocate GSF investment.

Respectfully submitted,

PACIFIC BELL
NEVADA BELL

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Date: December 21, 1992

CERTIFICATE OF SERVICE

I, D. E. Van Laak, hereby certify that copies of the foregoing "REPLY COMMENTS OF PACIFIC BELL AND NEVADA BELL", re CC Docket No. 92-222, were served by hand or by first-class United States mail, postage prepaid, upon the parties on the attached Service List on this 21st day of December, 1992.

By: D. E. Van Laak

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