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

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

REPLY COMMENTS OF THE AMERITECH OPERATING COMPANIES

The Ameritech Operating Companies[1] submit these reply comments in response to the Commission's proposal to amend Section 69.307 of the Commission's rules to correct the current under-allocation of general support facilities ("GSF") investment and expenses to the common line category.[2]

The Commission's proposal received virtually no opposition. Of the twenty-three parties filing comments, only one, the Public Service Commission of the District of Columbia ("DCPSC") opposed the proposal. That opposition is based solely on DCPSC's position that the assignment of GSF costs to the common line rate element would increase the subscriber line charge -- the end user common line ("EUCL") charge. While the Commission's proposal does not indicate what should be done with those GSF costs once they are placed in a local exchange carrier's ("LEC's") common line revenue requirement, presumably, without any modification to the Commission's rules, the result would be a EUCL charge increase if the LEC's EUCL charge is not already at the interstate cap of $3.50 for single-line customers and $6.00 for multi-line customers.

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[1] The Ameritech Operating Companies are: Illinois Bell Telephone Company, Indiana Bell Telephone, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

[2] In the Matter of Expanded Interconnection with Local Telephone Company Facilities and Amendment of the Part 69 Allocation of General Support Facility Costs, CC Docket Nos. 91-141 and 92-222, Report and Order and Notice of Proposed Rulemaking, FCC 92-440 (released October 19, 1992)("Report and Order") at paras. 267-269.

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Instead, the DCPSC proposes that the GSF overallocation be funded by a surcharge on the LEC's special access customers. In the highly competitive environment the Commission is creating by expanded interconnection for special access, such subsidies from a LEC's special access customers to end users is not sustainable. It is essentially a tax that can be avoided by selecting a competitive access provider's ("CAP's") services. The Commission noted that competition in the access arena could well develop much more rapidly than competition in the interexchange or CPE areas.[3] Therefore, it is important that any subsidies intentionally thrust upon the LEC's competitive services be eliminated or reconfigured to be borne by all market participants so that the LEC's competitive services are not disadvantaged.[4] The Commission's proposal wisely chooses the course of eliminating the subsidy from special access. DCPSC's proposal to create a special access surcharge maintains the status quo and does nothing to eliminate the "tax" on LECs' special access customers.

In that regard, however, once the proper portion of GSF costs are reassigned to the common line rate element, it certainly is appropriate to discuss how those costs should be recovered. Obviously, in the context of the Commission's Part 36/69 cost allocation scheme, these additional GSF costs are a portion of the non-traffic sensitive ("NTS") costs of the loop.[5] In this increasingly competitive environment it makes economic sense to drive costs to the cost causer. In this case, the Companies support the suggestions of AT&T, US West, Pacific, NYNEX, and GTE to recover those costs by increasing the EUCL charge.

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[3] Id. at note 37.

[4] Id. at para. 143.

[5] As the Companies indicated in their comments, the change must be treated as exogenous under the price cap rules so that price cap carriers can lower their special access rates to be more competitive and recover the appropriate common line costs in common line (including EUCL) rates.

Certainly, to the extent that a LEC's EUCL is not at its limit, the additional common line revenue requirement resulting from the GSF reallocation should be recovered as much as possible by increasing the EUCL. For those companies that reach their maximum EUCL levels and still find it inadequate to recover the additional revenue requirement, the Commission should consider increasing the EUCL ceiling in an appropriate matter. Dumping the additional revenue requirement into the carrier common line ("CCL") charge would only increase the tax or subsidy from the LEC's switched access customers to end users. If the Commission does not see fit to pursue a EUCL increase, the subsidy should be borne by all market participants in a manner that is not reflective of their use of LEC services. Thus, if the Commission is of the opinion that interexchange carriers ("ICs") should continue to subsidize end users, then that subsidy should be assessed on all ICs in a manner that is not related to their use of LEC facilities and services.

Finally, the Companies respond to the suggestions of MFS and Teleport that any special access rate reduction that results from the implementation of the Commission's proposals should be flowed through uniformly to all special access services. Obviously, MFS and Teleport are interested in keeping LEC rates high in competitive areas so that they can keep their own rates high while still both underpricing the LECs <u>and</u> maintaining significant margins. They would have the Commission essentially preclude LECs from targeting rate reductions resulting from a lowering of the special access revenue requirement specifically to competitive services -- an ability that LECs have always had under Part 69 under rate of return regulation and an ability that was certainly contemplated in the price cap structure for existing LECs (subject, of course, to the 5% pricing band restrictions).

The Commission correctly concluded that uneconomic pricing restrictions on the LECs are ultimately not sustainable in the kind of competitive environment that expanded interconnection for special access will quickly produce. Lowering rates for particular competitive services in a competitive environment -- even down to incremental cost -- is not "unfair" or discriminatory. Rather, it is the essence of competition. The Commission should, therefore, ignore these self-serving requests of competitors to be protected from competition.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Jenell Thompson, do hereby certify that copies of the foregoing Reply Comments of the Ameritech Operating Companies have been mailed this 21st day of December, 1992, by first-class mail, postage prepaid, to the parties on the attached service list.

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