

Before the
FEDERAL COMMUNICATIONS COMMISSION

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directors from seventeen to thirteen, or to increase the number of outside directors on such a reduced Board from two to three.⁶

In fact, there is a great deal of diversity in the operations of NECA's member LECs. Consequently, reducing the number of directors, particularly those representing the smaller Subset III companies, would run the risk of creating a NECA Board that did not adequately reflect the varying circumstances of NECA's members.⁷

The Commission should not adopt the proposals in the Notice regarding the length of outside directors' terms and the imposition of term limitations.⁸ There has been substantial turnover in NECA Board membership, which indicates that the current process is working. As a result, the Commission should permit NECA to continue with its current practices in this area.

2. Issues Regarding NECA's Responsibilities Under Commission Rules.

The Notice implies that NECA has the responsibility to interpret and, in effect, to enforce, the Commission's rules.⁹ While NECA is dedicated to conducting its activities in compliance with those rules, it is the LECs, not NECA, that provide interstate telecommunications services, and the LECs, not NECA, that are responsible for their compliance with their obligations under the Communications Act and the Commission's rules issued pursuant to that Act.

⁶ See Notice at ¶ 11.

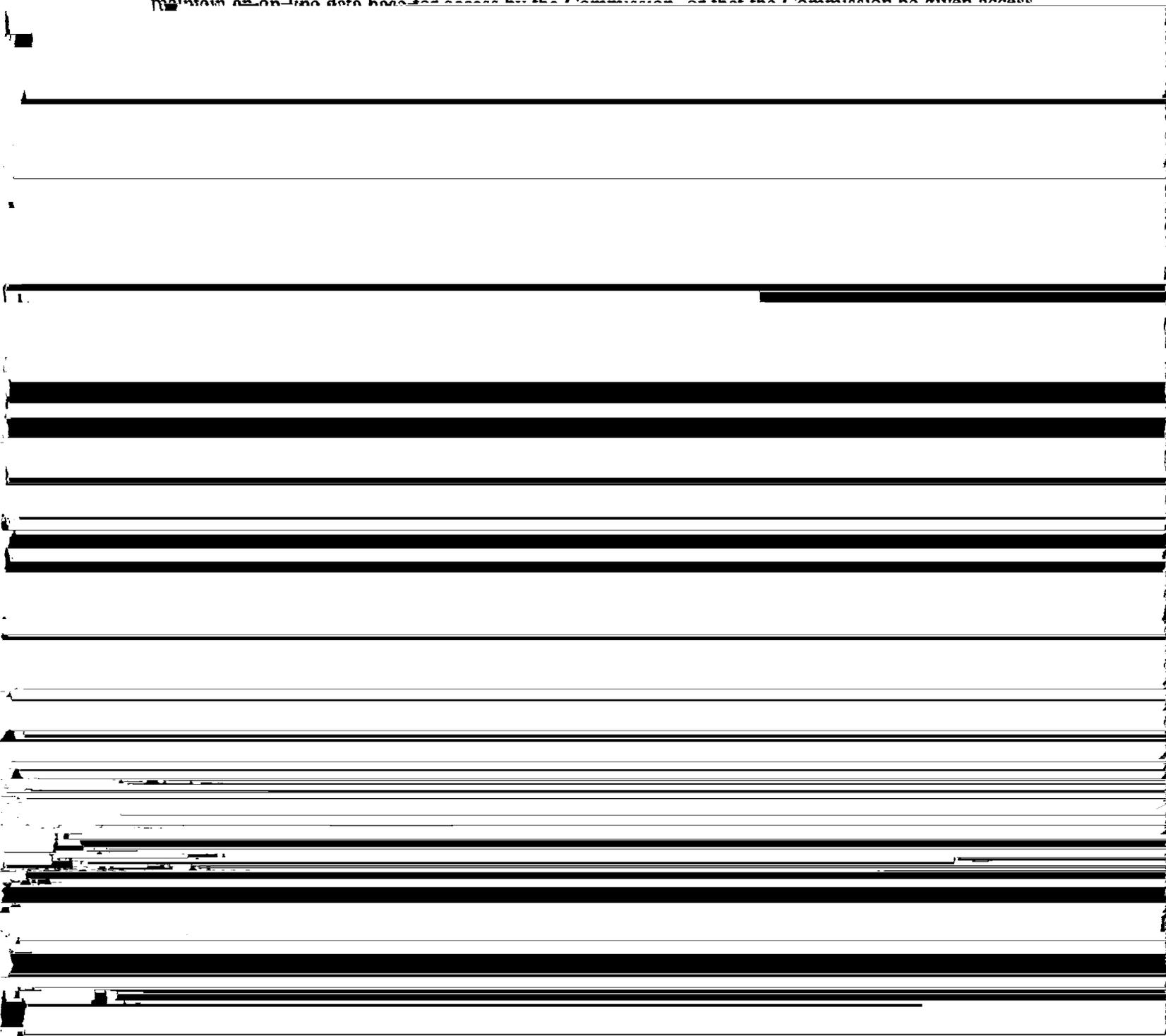
⁷ Bell Atlantic supports the Commission's proposals to have at least one outside director on each NECA committee and to require that subcommittees be established by committee resolution, be required to keep minutes, and report all actions to the full committee. See Notice, ¶¶ 21-24.

⁸ See Notice at ¶¶ 18-20.

⁹ See, e.g., Notice at ¶¶ 25-26, 28, 36.

When it created NECA in 1983, the Commission made clear that it was not delegating NECA any regulatory authority.¹⁰ To the extent, therefore, that the Commission's tentative conclusions regarding NECA's role are based on NECA assuming regulatory-like authority -- such as issuing "interpretations" of the Commission's rules -- those conclusions should be rejected.¹¹

For this reason, Bell Atlantic strongly opposes any requirement that NECA develop or maintain an on-line data base for access by the Commission, or that the Commission be given access



Finally, NECA's current practices regarding circulation of the *Cost Issues Manual*¹⁴ should be permitted to continue without significant modification. Those practices allow NECA and its staff to *inform* member companies of the complex requirements of the Commission's rules -- the impact of which can vary significantly from company to company -- without placing NECA in the position of an "agent" of a regulatory body, passing judgment on the legal "correctness" of an individual LEC's interpretation of those rules.¹⁵

3. Issues Relating To NECA's Internal Procedures.

a. Compensation Plan.

The Notice raises concerns about NECA's former compensation plan, under which the bonuses received by certain officers and employees were significantly affected by the rates of return achieved by the NECA common line and traffic sensitive pools.¹⁶ Under the current compensation plan, however, there are no rewards available for exceeding the authorized rate of return. Instead, that plan is focused on the development of accurate forecasts in the data NECA files in connection with the pools.

The Notice speculates that a plan focused on the accuracy of forecasts might create an incentive to submit data that erroneously indicates that forecasts were accurate when, in fact, they were not.¹⁷ For an incentive compensation plan to work, however, the affected employees must understand that they will be rewarded if certain events occur and not rewarded if those events do not

¹⁴ See Notice at ¶¶ 27-30.

¹⁵ In this regard, NECA is an "agent" of the LECs on whose behalf it files tariffs, not an agent of the Commission. See 47 C.F.R. § 69.802. See also note 10, *supra*.

¹⁶ See Notice at ¶¶ 38-41.

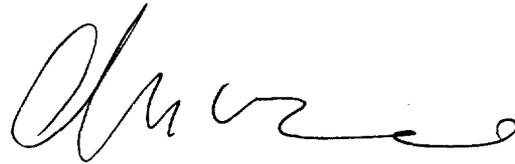
¹⁷ Notice at ¶ 40.

occur. As a result, *any* bonus plan with defined objectives creates the *theoretical* possibility of abuse. Speculation about such possibilities however, is no reason to require that NECA's compensation plan be changed, or even reviewed in detail by the Commission.

b. Independent Audits.

The Notice suggests the possibility of requiring independent audits of the cost studies used by non-pooling LECs.¹⁸ The Commission should not adopt such a requirement. Bell Atlantic, for example, is already subject to the Commission's ARMIS requirements, and its filings with the Commission are already subject to audit requirements.¹⁹ By the same token, Bell Atlantic cannot support special audit requirements for non-pooling, non-ARMIS LECs. As competition intensifies among LECs, competitive access providers, and interexchange carriers, it is not appropriate to saddle particular competitors with burdensome requirements -- including expensive and time-consuming audit requirements -- not shared by all competitors.

Respectfully submitted,



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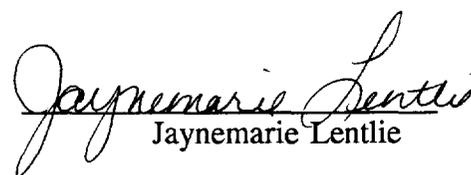
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¹⁸ Notice at ¶¶ 45-46.

¹⁹ For example, the FCC requires that annual cost allocation calculations be subjected to a "fairly stated" audit each year. In addition, the FCC periodically conducts audits of certain aspects of the activities of large carriers, and Bell Atlantic has been the subject of several such audits over the last several years.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Comments of Bell Atlantic" was served this 14th day of April, 1993, by delivery thereof by first class mail, postage prepaid, to the parties on the attached list.


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