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

In the Matter of)
)
Proposed Revision of)
Part 69 of the)
Commission's Rules to)
Allow for Incentive)
Settlement Options for)
NECA Pool Companies)

RM 8389

DEC 16 1993

FCC-MAIL

COMMENTS OF
CATHEY, HUTTON & ASSOCIATES, INC.

Cathey, Hutton & Associates, Inc. (CHA), management and cost consultants to the independent telephone industry, hereby comments on the Petition for Rulemaking (Petition) filed by the National Exchange Carrier Association, Inc. (NECA), on November 5, 1993, in the above-captioned matter.

NECA proposes two incentive settlement options for its pool participants. The first option would permit NECA pool members to settle with the pool based on formulas similar to the Optional Incentive Regulation (OIR) plan recently adopted for non-pooling local exchange carriers (LECs).¹ The second option contains features similar to those found in Section 61.39 of the Commission's rules which provides a historical cost filing option for LECs with fewer than 50,000 access lines.²

¹ See Regulatory Reform for Local Exchange Carriers Subject to Rate of Return Regulation, Report and Order, 8 FCC Rcd 4545 (1993) (Regulatory Reform Order).

² See 47 C.F.R. § 61.39; Regulatory Reform Order, 8 FCC Rcd at 4558-59.

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CHA fully supports NECA's proposed incentive plans. As NECA notes,³ in the recent regulatory reform proceeding, the Commission encouraged NECA to develop methods to introduce incentives into the pooling process.⁴ NECA has done just that. NECA proposes plans that should benefit ratepayers by providing incentives for increased efficiencies. At the same time, the plans preserve the benefits of pooling that are essential to small LECs.

CHA also supports the Petition's additional proposals for achieving NECA pool efficiencies. In particular, NECA's proposal for streamlined new service introduction⁵ is consistent with the new service procedures adopted in the regulatory reform proceeding and should generate similar benefits in terms of administrative cost savings and making innovative new services available to the public as quickly as possible.⁶ NECA's pricing flexibility proposal is also consistent with the flexibility feature available to non-pooling LECs under the OIR plan,⁷ and should be made available to pool participants.

³ Petition, pp. 2, 5.

⁴ See Regulatory Reform Order, 8 FCC Rcd at 4562.

⁵ Petition, pp. 12-13.

⁶ See Regulatory Reform Order, 8 FCC Rcd at 4556-57.

⁷ See id. at 4550-51.

For all of the foregoing reasons, NECA's Petition for Rulemaking should be granted.

Respectfully submitted,
CATHEY, HUTTON & ASSOC., INC.

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December 16, 1993

CERTIFICATE OF SERVICE

I, Marcella C. Jost, do hereby certify that copies of the foregoing Comments of Cathey, Hutton & Associates, Inc. were sent via first class mail, postage paid, to the following on this the 16th day of December, 1993:

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