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

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
Simplification of the ) CC Docket No. 92-296  
Depreciation Prescription Process )

**AMERITECH'S REPLIES TO OPPOSITIONS TO PETITION FOR RECONSIDERATION**

The Ameritech Operating Companies (Ameritech),<sup>1</sup> pursuant to § 1.429 of the Federal Communications Commission's (Commission) rules, 47 C.F.R. § 1.429, respectfully submit the following Reply Comments to the Oppositions to the Petitions For Reconsideration filed in the above captioned matter.<sup>2</sup> In these reply comments, Ameritech demonstrates that no party raises sufficient reasons not to grant Ameritech's PFR. Consequently, the Commission should grant the PFR.

Four parties filed Oppositions to Ameritech's PFR seeking reconsideration of the Commission's decision to prescribe the basic factor range option for determining local exchange carriers' depreciation expense. They were American Telephone and Telegraph Co. (AT&T), California Cable Television Association (CCTA), MCI Telecommunications Corp. (MCI), and the National Association of Regulatory Utility Commissioners (NARUC). In their oppositions, these parties argue that the Commission should not grant the relief requested by Ameritech and the other LECs to prescribe the price cap carrier option for depreciation prescription purposes. Specifically, the parties argue that the Commission needs to maintain sufficient oversight over the LECs' depreciation expense in order to

<sup>1</sup> The Ameritech Operating Companies are: Illinois Bell Telephone Co., Indiana Bell Telephone Co., Inc., Michigan Bell Telephone Co., The Ohio Bell Telephone Co., and Wisconsin Bell, Inc.

<sup>2</sup> See Simplification of the Depreciation Prescription Process, CC Dkt. No. 92-296, 8 FCC Rcd. 8025 (1993).

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ensure against manipulation of the depreciation expense by the LECs to avoid sharing. Moreover, the parties claim that there is insufficient competition in the interstate access market to limit an increase in LEC access rates due to increased depreciation expenses, and that no other such safeguards exist.

The Commission must reject these arguments. In the first instance, each of these parties who argue that there is no effective competition in the interstate access arena is being disingenuous. MCI, AT&T and CCTA are direct competitors of the LECs in the interstate access arena, and will soon be direct competitors in the local exchange market. Significantly, AT&T's purchase of McCaw will result in AT&T's providing local exchange service through its cellular holdings. And, CCTA as a representative of the cable industry espouses the interests of the cable companies which also have announced plans to enter the telephony market. Finally, MCI tries to underplay its recent announcement of spending \$ 2 billion to enter the local exchange market. To the extent that these competitors can convince the Commission to maintain the archaic and unreasonable depreciation rates, thereby limiting LECs' ability to recover their investment in a timely manner, these competitors -- which do not have similar restrictions -- maintain an advantage over the LECs. Furthermore, AT&T and MCI maintain an additional advantage with the continued understatement of LEC costs through unrealistic depreciation rates, because these unrealistic depreciation rates result in understated access charges through which these parties can subsidize their competitive in roads into local exchange markets.

Interestingly, none of these parties contradicted the information contained in the PFRs regarding the significant differences between the depreciation rates for interexchange carriers and LECs. Specifically, in its PFR, Ameritech argues, correctly, that the Commission has failed to justify the substantial difference between the depreciation rates for the interexchange carriers and the

depreciation rates for LECs, when both parties use the same equipment in essentially the same manner. The disparate depreciation rates cannot be justified upon regulatory concerns, or on NARUC's weak assertion that competition, not technological progress, is the basic driver of loss in asset value.

Additionally, none of the parties addressed the argument that the basic factor range option did not provide any simplification of the depreciation process. Rather, as was demonstrated in the PFRs, the basic factor range option creates additional administrative work because it eliminates the ability of LECs to use the current streamlined depreciation process established for certain accounts. If only for this reason, the Commission should grant the PFRs.

Finally, the Commission, at a minimum, should refrain from imposing the basic factor range option until the completion of the price cap review proceeding. Since the Commission justifies imposing the basic factor range option rather than the price cap carrier option because of the LECs' sharing obligation under price caps, to the extent that this sharing obligation is eliminated in the price cap review proceeding, it would eliminate the Commission's justification for imposing the basic factor range option.

Based on the foregoing, the Commission should disregard the arguments set forth in the Oppositions to Ameritech's Petition For Reconsideration. Rather, based on Ameritech's PFR and the arguments contained herein, the Commission should grant Ameritech's PFR and adopt the price cap carrier option for determining LECs' depreciation rates.

Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

I, **Diana M. Lucas**, do hereby certify that copies of the foregoing were sent via first class mail, postage prepaid, to the following on this the 8th day of February 1994:

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