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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 )  
Depreciation Prescription Process )

CC Docket No. 92-296

**REPLY  
OF THE  
UNITED STATES TELEPHONE ASSOCIATION**

The United States Telephone Association (USTA) respectfully submits its Reply to the Oppositions to Petitions for Reconsideration filed January 24, 1994 in the above-referenced docket.

Opponents do not make a persuasive case that the Petitions for Reconsideration filed by USTA and individual exchange carriers be denied. No opposing party provides any evidence that the public interest would be better served through the utilization of the Basic Factor Range option as proposed by the Commission. There is no evidence in the record to suggest that there would be any less regulatory oversight with the Price Cap Carrier option. As USTA pointed out in its Petition for Reconsideration, the Price Cap option will produce the maximum public interest benefits, will best meet the Commission's goals and can be implemented without any adverse impacts.

The opposing parties claim that there is insufficient competition to warrant adoption of the Price Cap Carrier option and that adoption of that option will somehow permit exchange

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carriers to subvert the price cap sharing mechanism.<sup>1</sup> There is certainly evidence of the increasing competition faced by exchange carriers on the record in other Commission proceedings.<sup>2</sup> The Commission should recognize here, as it has in other dockets, that exchange carriers must have increased flexibility if the Commission hopes to encourage technological development and to make the industry fully competitive. Unsupported statements that competition is insufficient do not provide an adequate basis to deny the Petitions for Reconsideration. USTA continues to urge the Commission to permit exchange carriers greater flexibility to move their depreciation rates into line with competing telecommunications providers.

Likewise, there is no evidence presented that exchange carriers will subvert the price cap sharing mechanism under the Price Cap Carrier option. The sharing mechanism was adopted as a "backstop" to the productivity offset. It was not intended to be the basis for subjecting exchange carriers to the detailed regulatory requirements of the Basic Factor Range option. USTA and individual exchange carriers provided the Commission with proposals to assuage any concerns which had been raised in this regard. None of the opposing parties specifically address these safeguards or provide any rationale as to why they could not be

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<sup>1</sup>Oppositions of AT&T, California Cable Television Association (CCTA) and MCI.

<sup>2</sup>See, Expanded Interconnection with Local Telephone Company Facilities, CC Docket No. 91-141 and Reform of the Interstate Access Charge Rules, RM 8356.

utilized to monitor depreciation rates. USTA urges the Commission to grant the Petitions for Reconsideration and adopt the Price Cap Carrier option for exchange carriers.

If the Commission decides to utilize the Basic Factor Range option, it should adopt the modifications contained in USTA's Petition. At a minimum, the Commission should eliminate the requirement for a detailed study for accounts where the factor is outside the ranges and eliminate the requirements related to curve shape data. These requirements serve no purpose and restrict the use of the simplified process, making it more burdensome. These modifications will allow the Commission to move closer to its goals of simplification and flexibility to the extent possible under the Basic Factor Range option. None of the opposing parties provided any specific objections to these modifications. Therefore, if the Basic Factor Range option is adopted, it should be modified as recommended in USTA's Petition.

In addition, since no party opposed USTA's Petition regarding those exchange carriers under Optional Incentive Regulation (OIR), USTA's recommendation that OIR carriers be permitted to utilize the same option as the price cap carriers should be adopted by the Commission.

Likewise, no party objected to USTA's recommendations regarding rate of return carriers. Therefore, those recommendations should be granted as well.

Adoption of the Price Cap Carrier option will provide the best opportunity to reduce administrative costs and will provide

exchange carriers additional capital recovery flexibility needed to respond to technological change. Safeguards are available to assure that ratepayer interests continue to be fully protected. In the alternative, the Basic Factor Range option as modified by USTA should be adopted to meet the Commission's goals. Based on the record compiled to date, USTA urges the Commission to grant USTA's Petition.

Respectfully submitted,

**UNITED STATES TELEPHONE ASSOCIATION**

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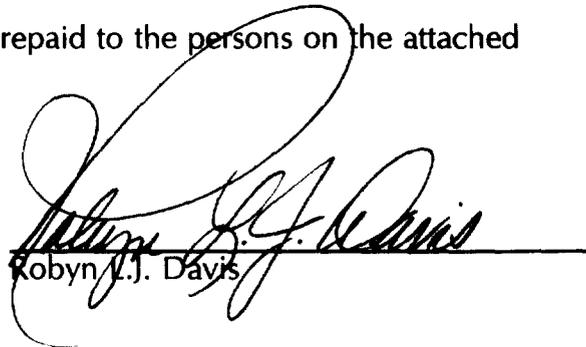
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February 8, 1994

**CERTIFICATE OF SERVICE**

I, Robyn L.J. Davis, do certify that on February 8, 1994 copies of the Reply Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.

  
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