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April 28, 1994

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW - Room 222
Washington D.C. 20554

Re: CC Docket 92-77 (Phase II)

Dear Mr. Caton,

We are hereby submitting a revised cost estimate in the above-referenced Billed Party Preference (BPP) proceeding. Although our latest figures show the cost of BPP implementation (not including annual operator charges) for NYNEX to have decreased to the \$163-178 million range, we continue to oppose BPP for the same reasons we previously established on the record - that the costs far outweigh the benefits for this service.

The new cost figures represent a reduction from the \$246 million estimate NYNEX previously submitted on the record in this proceeding. However, the estimated costs continue to fluctuate. In fact, these new figures represent an addition from the previous month's internal costing estimate as a result of increased manufacturer price quotations. Non-defined, although anticipated, problems could only increase the overall costs of such a massive and complex project as BPP.

This new cost study was undertaken using the MCI service description from their December 1993 ex parte filing with the Commission.

The largest driver of the cost estimate reduction is the elimination of the need to replace DMS10 switches which were, heretofore, incompatible with Operator Services SS7. The manufacturer recently announced a generic upgrade to the DMS10 switches which would allow this capability. The savings to NYNEX on this item would amount to a \$50.7 million from our previously filed costs. Recently quoted vendor discounts were taken in this revised cost study which further reduced the BPP implementation costs.

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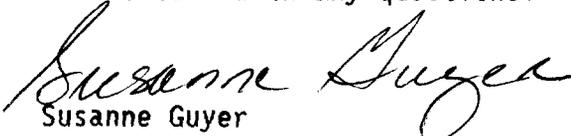


NYNEX Recycles

Other major drivers of the cost reduction are a revised NYNEX analog switch replacement schedule (\$22.4 million) and changes in the assumptions for interoffice trunk facility modifications. The range of \$163-178 million is dependent on the procedure required for balloting if BPP is mandated. The \$178 million implementation cost includes full balloting, while \$163 million reflects balloting assumptions contained in MCI's service description, e.g., requirements could be satisfied with a bill insert. New assumptions were made based on this service description which caused NYNEX to increase estimated costs for support systems modifications for Database Administration System (DBAS) and Carrier Access Billing System (CABS).

In addition to issues related to the level of cost involved, cost recovery remains a major concern. Therefore, NYNEX continues to be opposed to the implementation of Billed Party Preference.

Please call with any questions.


Susanne Guyer

attachment

cc: Mr. Gary Phillips
Mr. Mark Nadel

NYNEX COSTS**BILLED PARTY PREFERENCE (BPP)
COST STUDY****NYNEX Comments**

	<u>7/7/92</u>	<u>4/94</u>	<u>Change</u>
<u>Capital and One-Time Expenses</u>			
A. TOPS switch upgrades	\$11,400,000	\$ 7,900,000	\$(3,500,000)
B. Two (2) new TOPS switches	18,600,000	19,432,000	832,000
C. LIDB hardware & software additions	2,503,000	2,503,000	-
D. Support systems modifications	500,000	1,150,000	650,000
E. Interoffice trunk facility modifications			
1. labor for modifications/rearrangements	2,238,000	886,000	(1,352,000)
2. trunk terminations	10,840,000	12,319,000	1,479,000
3. new trunk facilities	14,175,000	6,400,000	(7,775,000)
F. Additional Operator equipment	3,054,000	3,054,000	-
G. Balloting	<u>19,320,000</u>	<u>4,100,000</u>	<u>(15,220,000)</u>
Total NYNEX Capital and One-Time Expense	\$82,630,000	\$57,744,000	\$(24,886,000)

<u>Annual Operator Exp. - Addl. 502 Operators</u>	\$13,710,000	13,710,000	-
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**NYNEX Ex Parte - Additional Capital
and One-Time Expenses**

	<u>8/4/93</u>	<u>4/94</u>	
A. OSS7 implementation costs	\$33,800,000	\$48,526,000	\$ 14,726,000
B. Accelerated analog switch replacement			
- 1994 vs. 1996	41,820,000	--	-
- 1995 vs. 1997	31,220,000	16,271,000	-
- 1995 vs. 1996	--	16,780,000	-
- 1995 vs. 1998	--	17,623,000	(22,366,000)
C. Replacement of DMS10 switches (incompatible with OSS7)	55,000,000	4,320,000	(50,680,000)
D. Additional Business Office costs	<u>1,820,000</u>	<u>1,820,000</u>	<u>-</u>
Total NYNEX ex parte BPP costs	\$163,660,000	\$105,340,000	\$(58,320,000)

Total NYNEX Capital & One-Time BPP Expense	\$246,290,000	\$163,084,000	\$(83,206,000)
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Total NYNEX Annual Operator Expense*	\$ 13,710,000	\$13,710,000	-
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* Other annual expenses related to BPP such as maintenance, taxes, overheads, etc. are not included in this study