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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

FCC 94-52

In the Matter of	)	
	)	
United Telecommunications, Inc.	)	Transmittal Nos. 300, 302 and 303
Revisions to Tariff F.C.C. No. 5	)	
	)	CC Docket No. 92-236
	)	

ORDER TERMINATING INVESTIGATION

Adopted: March 7, 1994; Released: April 28, 1994

By the Commission:

I. INTRODUCTION

1. On December 30, 1991, the Common Carrier Bureau (Bureau) initiated an investigation of the Line Information Database (LIDB) tariffs of several carriers, including United Telecommunications, Inc. (United).[1] A significant part of LIDB service is Common Channel Signalling (CCS) Interconnection Service, which uses a 56 kilobit per second (kbps) channel to connect the access customer's CCS network with the local exchange carrier's (LEC's) signal transfer point (STP).[2] United established two subelements for its CCS interconnection charge. The first subelement is an Access Link Charge, designed to recover the costs of a 56 kilobit per second (kbps) channel connecting the out-of-band signalling customer's premises with United's Signal Transfer Point (STP). The second subelement is the STP port charge, designed to recover the costs of the physical port in United's STP.[3]

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[1] Local Exchange Carrier Line Information Database, 7 FCC Rcd 525 (Com.Car.Bur. 1991) (LIDB Investigation Order), app. for review denied, 8 FCC Rcd 2957 (1993). LIDB is a database created by local exchange carriers (LECs). The LECs' databases are interconnected in order to enable LECs to share with each other and with interested third parties data on the account status of LEC joint use calling cards, as well as information on line numbers, such as third party billing exceptions. See LIDB Investigation Order, 7 FCC Rcd at 525 (para. 3).

[2] LIDB Investigation Order, 7 FCC Rcd at 525 (para. 4).

[3] United Telecommunications, Inc., Revisions to Tariff F.C.C. No. 5, CC Docket 92-236, 7 FCC Rcd 6764 (para. 2) (Com.Car.Bur. 1992) (United Investigation Order). STPs are packet switches that provide CCS message routing. For a diagram showing United's CCS Interconnection service, and the relation of this service to LIDB service, see Local Exchange Carrier Line Information Database, CC Docket No. 92-24, 8 FCC Rcd 7130 (1993) (LIDB Final Order), at App. B. In that Order, we referred to the Access Link rate element as the "signalling link," which provides the transport between the LEC STP and the interexchange carrier (IXC) STP.

2. On August 14, 1992, United filed Transmittal No. 300, to offer out-of-band signalling service, and to extend CCS Interconnection Service from Tennessee to other jurisdictions.[4] As United's CCS Interconnection Service in Tennessee was subject to the LIDB investigation, which was still pending at that time,[5] the Bureau suspended United's tariff for one day. Transmittal 300 took effect on October 14, 1992. The Bureau initiated this investigation to determine whether United's CCS Interconnection rates outside Tennessee are excessive and offered under unjust and unreasonable terms and conditions.[6] To assist in this determination, the Bureau designated four issues for investigation.[7]

3. On November 16, 1992, United filed its direct case. No oppositions or replies were filed. On July 1 and September 28, 1993, United agreed to lower many of the rates subject to this investigation. Based on our examination of United's direct case, and our findings in the LIDB investigation, we conclude that many of United's CCS Interconnection Service rates as originally filed were unjust and unreasonable, but these rates as adjusted are not unreasonable. Therefore, we order United to refund the unjust and unreasonable portion of its CCS Interconnection Service rates, with interest, to its out-of-band signalling customers, as discussed in further detail below.

II. DESIGNATED ISSUES

4. First, the Bureau directed United to explain why use of a cost model called "Common Channel Signalling Cost Information System" (CCSCIS) is appropriate to develop part of its CCS Interconnection charge.[8] United asserts that the CCSCIS model is appropriate for allocating the capital costs of the STP Port charges. According to United, the model is "engineering-oriented," and uses economic theory to produce the individual costs of technology-specific CCS network functions and to assign the costs of shared CCS equipment to individual CCS services. United also characterizes CCSCIS as a "bottom-up cost calculator" and states that it constitutes a method of allocating costs endorsed by equipment manufacturers.[9]

5. Second, the Bureau directed United to justify its CCS Interconnection Service on some

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[4] Out-of-band signalling can be used by the LEC to transmit information to IXCs for processing a call and providing IXCs with faster call set-up than is possible with in-band signalling. See LIDB Investigation Order, 7 FCC Rcd at 525 (para. 4).

[5] The LIDB investigation has since been terminated. See LIDB Final Order, 8 FCC Rcd at 7139 (para. 62).

[6] United Investigation Order, 7 FCC Rcd at 6765 (para. 7).

[7] United Investigation Order, 7 FCC Rcd at 6765 (para. 8).

[8] United Investigation Order, 7 FCC Rcd at 6765, para. 8, Issue (1). CCSCIS is a proprietary cost model developed by Bell Communications Research (Bellcore) to generate unit investments for common channel signalling services. CCSCIS operates similarly to the Switching Cost Information System (SCIS), also developed by Bellcore. For a detailed discussion of SCIS, see Commission Requirements for Cost Support Material To Be Filed with Open Network Architecture Access Tariffs, 7 FCC Rcd 1526 (Com.Car.Bur. 1992) (SCIS Disclosure Order), app. for review pending.

[9] United Direct Case at 3.

basis other than one relying on CCSCIS.[10] For the Access Link Charge, United claims to have used a traditional bottom up cost calculation methodology. United maintains that it based its calculations on projected future costs associated with similar special access services.[11]

6. Next, the Bureau required United to provide total investment underlying each rate element of its CCS Interconnection Service and identify the accounts established by Part 32 of the Commission's Rules in which these investments are recorded.[12] United lists in Attachment A to its direct case the Part 32 accounts where it states it recorded CCS Interconnection Service.[13] In its Attachment B, United reproduces Exhibits 3-1 to 3-8 of its Description and Justification (D&J) for Transmittal 300, which it says show total investment underlying each rate element of its CCS Interconnection service.[14]

7. Finally, the Bureau required United to identify and fully document all overhead and direct cost factors applied to the investment identified above to develop the rates, cross-referencing to Automated Reporting Management Information System (ARMIS) data where possible.[15] United argues that the Commission's price cap rules require United to set prices between average variable cost and fully distributed costs.[16] United states that it based its direct cost factor on Special Access expense and investment information in its 1991 ARMIS 43-04 report, and from state and federal tax rate information. United also maintains that its fully distributed cost factor is based on Special Access expense and investment information in its 1991 ARMIS 43-04 report.[17]

III. DISCUSSION

8. The Bureau initiated this investigation and designated these issues to determine whether the rates for United's CCS Interconnection Service outside Tennessee are excessive or offered under unjust and unreasonable terms and conditions.[18] We investigated United's Tennessee CCS

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[10] United Investigation Order, 7 FCC Rcd at 6765 (para. 8, Issue (2)).

[11] United Direct Case at 3-4.

[12] United Investigation Order, 7 FCC Rcd at 6765 (para. 8, Issue (3)), citing Part 32 of the Commission's Rules, 47 C.F.R. Part 32.

[13] These accounts are 2111, Land; 2121, Buildings; 2212, Digital Electronic Switching; 2232, Circuit Equipment; 2411, Poles; 2421, Aerial Cable; 2422, Underground Cable; 2423, Buried Cable; and 2441, Conduit Systems. United Direct Case, Att. A.

[14] Id. at Att. B.

[15] United Investigation Order, 7 FCC Rcd at 6765 (para. 8, Issue (4)).

[16] United Direct Case at 4-5.

[17] Id. at 5.

[18] United Investigation Order, 7 FCC Rcd at 6765 (para. 7).

Interconnection rates in the context of the LIDB tariff investigation.[19] Several carriers, including United, used CCSCIS to develop some or all of their LIDB rates, including CCS Interconnection rates.[20] The Commission found that, in general, it cannot accurately assess the reasonableness of rates if those rates are based on a proprietary computer model that has not been filed with the Commission.[21] However, the Commission also concluded that it was not necessary to rely on CCSCIS to evaluate the reasonableness of CCS Interconnection rates. For both those LECs that relied on proprietary data and those that did not, we found that the reasonableness of the amount of direct investment used to provide LIDB service can be evaluated by comparing the proportion of investment assigned with LIDB's relative share of the demand for all services that use the equipment.[22] Thus, we were able to examine the reasonableness of the amount of investment assigned to LIDB based on this relative usage rather than relying on CCSCIS.[23] Because United also used CCSCIS to develop some of the rates at issue in this investigation, we conclude that our analysis of United's rates in the LIDB tariff investigation is also suitable to use to evaluate these rates.[24]

9. As in the LIDB rate investigation, our analysis of the reasonableness of United's CCS interconnection rates was a three step process.[25] First, we examined United's direct investment to determine whether the investment assigned to these rate elements was reasonable. Second, we examined the amount of direct cost[26] United assigned to each rate element to determine whether the direct costs fell within a reasonable range, as compared to the level of direct investment. Third, we evaluated whether the claimed overhead expenses were reasonable, as compared to the level direct costs.

10. United recalculated the rates in its direct case for CCS Interconnection Service assuming longer plant lives for LIDB and SS7-related plant than it assumed in its direct case, and provided the cost support for these recalculated rates in an ex parte statement filed on May 14, 1993.[27] Applying the analysis we used to evaluate United's rates in the LIDB tariff investigation, we find the following: (1) the amount of investment United allocated to CCS

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[19] LIDB Investigation Order, 7 FCC Rcd at 528 (para. 23); United Investigation Order, 7 FCC Rcd at 6764 (para. 1).

[20] LIDB Final Order, 8 FCC Rcd at 7131 (para. 7).

[21] Id. at 7131 (para. 11).

[22] Id.

[23] Id.

[24] See LIDB Final Order, 8 FCC Rcd at 7131-32 (paras. 10-13), and App. C for a description of our methodology.

[25] LIDB Final Order, 8 FCC Rcd at 7131 (para. 10).

[26] Direct investment is the one-time cost of the equipment used to provide the service. Direct costs are the ongoing costs of providing the service. At a minimum, these include depreciation, return on investment, and taxes.

[27] See Letter from Richard D. Lawson, United Telephone Companies, to Secretary, Federal Communications Commission, Exh. C at 3 (May 14, 1993) (May 14 Letter).

interconnection service is consistent with United's relative use of that investment to provide CCS interconnection service; (2) in its response to the data request, United justified the amount of direct costs claimed in its tariff filing; but (3) United has not justified its overhead loadings. Therefore, we find that these rates are unreasonable pursuant to Section 201(b) of the Communications Act, 47 U.S.C. § 201(b).

11. Since United's direct case was filed, United submitted its July 1, 1993, price cap filing, in which it lowered some of the rates under investigation here.[28] We find these revised rates to be reasonable. Furthermore, on September 28, 1993, United proposed to lower the remaining CCS interconnection rates based on lower overhead loadings than those used in its original filing.[29] We find that United's new rates are just and reasonable. Accordingly, United is permitted to revise its rates as proposed in the September 28 Letter. Finally, we also require United to refund the amounts collected in excess of the rates in its September 28 Letter and its CCS interconnection rates as revised in its 1993 price cap filing described above, plus simple interest, during the period beginning October 14, 1992.[30]

12. In the LIDB Final Order, we required United and other LECs with excessive LIDB rates to recalculate their July 1, 1993, Actual Price Indexes (API) and Service Band Indexes (SBI) for purposes of the Commission's price cap rules.[31] However, in its September 28 Letter, United showed that revision of the rates subject to this investigation would have a de minimis effect on these price cap indexes. Accordingly, no API or SBI adjustments need be made as a result of lowering rates to the levels proposed in the September 28 Letter.

IV. ORDERING CLAUSES

13. Accordingly, IT IS ORDERED, pursuant to Sections 4(i), 4(j), 204(a), 205, and 403 of the Communications Act, 47 U.S.C. §§ 154(i), 154(j), 204(a), 205, and 403, that the common channel signalling interconnection rates of United Telecommunications, Inc., filed in Transmittal No. 300, ARE UNLAWFUL to the extent indicated above.

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[28] In particular, United lowered the multiplexer charge applicable in its Florida study area, the DS1 channel mileage per mile charge in its North Carolina study area, and the 56 kbps service termination charge and the DS1 channel mileage per mile charge in its Eastern Group study area.

[29] Letter from Richard D. Lawson, United Telephone Companies, to Chief, Tariff Division, at Att. A (September 28, 1993) (September 28 Letter).

[30] In the LIDB Final Order, we concluded that simple interest was appropriate in that case because the carriers voluntarily reduced their rates, and because that was the first time rates were investigated under the new services test. LIDB Final Order, 8 FCC Rcd at 7132 n.27. For these reasons, we find that simple interest is also appropriate in this case.

In the LIDB Final Order, we also directed United and other LECs to submit plans for issuing refunds and delegated authority to the Chief, Common Carrier Bureau, to review and approve these plans. LIDB Final Order, 8 FCC Rcd at 7132 n.28. We hereby direct United to issue the refunds required by this Order using the plan filed and approved pursuant to the LIDB Final Order, or to submit an alternative plan within 30 days of the release date of this Order. We delegate authority to the Chief, Common Carrier Bureau, to review and approve United's plan should it choose to file an alternative plan.

[31] LIDB Final Order, 8 FCC Rcd at 7132 (para. 13).

14. IT IS FURTHER ORDERED that the Common Channel Signalling interconnection rates as described in the United Telecommunications, Inc. ex parte statement of September 28, 1993, are just, reasonable, and MAY BE FILED by United Telecommunications, Inc.

15. IT IS FURTHER ORDERED that United Telecommunications, Inc. SHALL MAKE REFUNDS, in the amounts specified in paragraph 11 of this Order, supra, to its out-of-band signalling customers. Interest shall be computed on the basis of simple interest rates specified by the United States Internal Revenue Service.

16. IT IS FURTHER ORDERED, pursuant to Sections 4(i), 4(j), 204(a), 205, and 403 of the Communications Act, 47 U.S.C. §§ 154(i), 154(j), 204(a), 205, and 403, that United Telecommunications, Inc. IS AUTHORIZED to file tariff revisions reflecting our findings in this investigation no later than 10 days from the release date of this Order.

17. IT IS FURTHER ORDERED that, for purposes of compliance with this Order, we waive Sections 61.58 and 61.59 of the Commission's Rules, 47 C.F.R. §§ 61.58, 61.59. United Telecommunications, Inc., should cite the "FCC" number of the instant Order as the authority for this filing.

18. IT IS FURTHER ORDERED that the investigation and accounting order imposed by the Common Carrier Bureau in CC Docket No. 92-236 IS TERMINATED.

FEDERAL COMMUNICATIONS COMMISSION

William F. Caton

William F. Caton
Acting Secretary