

narrow the range for exogenous treatment. By narrowing the list of eligible changes, the Commission would remove a great many debates about exogenous costs from the tariff process and thereby simplify the tariff process. However, MCI does not believe that the Commission's "economic cost" standard will achieve that goal.

The economic cost standard is unnecessarily vague and cumbersome to implement, and will doubtless result in many long and contentious proceedings before the Commission. MCI urges the Commission to adopt on reconsideration MCI's proposal that exogenous treatment be granted only for those changes which shift money out of or into the interstate jurisdiction. This will have the same practical effect as the Commission's three prong test, as it will exclude USOA and FASB changes that have the effect of only changing the timing of the recognition of costs, but do not change the relative allocation of costs to the interstate jurisdiction. In addition, it can serve as the justification for the other exogenous changes the Commission has previously listed, such as Reserve Deficiency Amortizations, Inside Wire Amortization, and Separations Changes.

VII. SALES AND SWAPS OF EXCHANGES

The Commission should reconsider its decision on exogenous treatment of the sales and swaps of exchanges. The Commission decided to require the selling LEC to take an exogenous adjustment when it sells an exchange to remove the effect on its rates of that exchange. The Commission declined,

however, to require the LECs to take an exogenous change to reflect the increased Universal Service Fund (USF) or triple-DEM subsidy⁴⁶ that the purchasing LEC would receive. Requiring exogenous treatment of the latter, the Commission argued, would be incorrect because it would require the selling LEC to reflect in its rates the change in costs that the purchasing LEC experienced.

The Commission is mistaken in its analysis of where the change in costs lies. When the purchasing LEC determines how much it will pay for the exchange, it necessarily considers the flow of income, including any subsidy payments, it will receive. Thus, the price the selling LEC receives reflects a premium for the amount of the subsidy. This premium must be captured for ratepayers.⁴⁷

VIII. PRICING FLEXIBILITY

The Commission granted LECs greater lower pricing flexibility, increasing the lower flexibility to 10 percent in the switching and trunking baskets, and

⁴⁶ Local exchange carriers whose loop costs exceed the nationwide average are allowed to assign a higher proportion of their costs to the interstate jurisdiction, and recover that increased allocation through the Universal Service Fund. Companies with fewer than 50,000 lines are allowed to allocate a higher proportion of their Category 3 Local Switching Equipment investment and expenses to the interstate jurisdiction, with companies with fewer than 10,000 lines allowed to triple their relative allocation of these expense to the interstate jurisdiction.

⁴⁷ *Democratic Central Committee v. Metropolitan Washington Transit Authority* 485 F. 2d 847 (D.C. Dir. 1973) cert. denied sub nom. *D.C. Transit System v. Democratic Central committee*, 415 U.S. 935 (1974).

increasing the lower flexibility to 15 percent for the zone indexes.⁴⁸ While MCI welcomes the opportunity for LECs to quickly and easily lower their access charges, MCI is also concerned that the increased downward flexibility may have the effect of permitting some individual rates to increase more than under the current plan. MCI therefore requests the Commission to reconsider these expanded limits. The Commission neither explained why these increased limits were necessary, nor determined what effect, if any, this increased flexibility would have on the development of competition. The Commission should articulate its criteria for determining what pricing flexibility is necessary for the LEC, and should tailor that pricing flexibility so that it fosters the development of competition, before it changes the pricing flexibility it grants the LECs.

⁴⁸ Performance Review Order at para. 411.

IX. CONCLUSION

The LECs, their ratepayers, and the economy will maximize the benefits from price caps only if the plan is properly designed. For the foregoing reasons, MCI urges the Commission to reconsider its decisions concerning the aspects of its price cap decision discussed supra.

Respectfully submitted,
MCI TELECOMMUNICATIONS CORPORATION

A handwritten signature in black ink that reads "Chris Frentrup". The signature is written in a cursive, flowing style.

Chris Frentrup
Senior Regulatory Analyst
Federal Regulatory
1801 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 887-2731

May 19, 1995

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on May 19, 1995.

A handwritten signature in cursive script that reads "Chris Frentrup". The signature is written in black ink and is positioned above a horizontal line.

Chris Frentrup
1801 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 887-2731

CERTIFICATE OF SERVICE

I, Stan Miller, do hereby certify that copies of the foregoing Petition for Reconsideration were sent via first class mail, postage paid, to the following on this 19th day of May, 1995.

Kathleen Wallman
Chief, Common Carrier Bureau
FCC
Room 500
1919 M Street, N.W.
Washington, DC 20554**

**David Nall
Deputy Chief, Tariff Division
FCC
Room 518
1919 M Street, NW
Washington, DC 20554**

Kathleen Levitz
Deputy Chief, Common Carrier
Bureau
FCC
Room 500
1919 M Street, N.W.
Washington, DC 20554**

Doug Slotten
FCC/CCB
Room 544
1919 M Street, N.W.
Washington, DC 20554**

Geraldine Matise
Chief, Tariff Division
FCC
Room 518
1919 M Street, N.W.
Washington, DC 20554**

David Sieradski
FCC/CCB
Room 544
1919 M Street, N.W.
Washington, DC 20554**

**Richard Metzger
Deputy Chief, Common Carrier
Bureau
FCC
Room 518
1919 M Street, N.W.
Washington, DC 20554**

International Transcription Service
Room 246
1919 M Street, N.W.
Washington, DC 20554**

**James S. Blaszak
Levine, Blaszak, Block &
Boothby
Telecommunications Users
Committee
1300 Connecticut Ave., NW
Suite 500
Washington, D.C. 20036-1703**

Carolyn C. Hill, Esq.
Federal Regulatory Counsel
Alltel Service Corporation
655 15th St., NW
Suite 220
Washington, D.C. 20005

Debra Buruchian
Vice President/General Manager
ATX Telecommunications Services
101 South 39th Street
Philadelphia, PA 19104

William Page Montgomery
Economics & Technology, Inc.
One Washington Mall
Boston, MA 02108
Economic Consultant for Ad Hoc
Telecommunications Users
Committee

Roy Morris
Allnet Communication
Services, Inc.
1990 M Street, N.W., Ste. 500
Washington, D.C. 20036

Francine J. Berry
David P. Condit
Judy Sello
Room 3244J1
295 North Maple Avenue
Basking Ridge, New Jersey 07920
Attorneys for American
Telephone and Telegraph Company

Frank Panek
Michael S. Pabian
Ameritech Services Inc.
2000 W. Ameritech Center Drive
Hoffman Estates, IL 60196-1025

Michael E. Glover
Michael D. Lowe
Lawrence W. Katz
The Bell Atlantic Telephone
Companies
1710 H Street, NW - 8th Floor
Washington, D.C. 20006

Ellen S. Deutsch, Esq.
Citizens Utilities Company
of California
1035 Placer Street
Redding, CA 96001

Richard M. Tettlebaum
Citizens Utilities Company
1400 16th St., NW, Suite 500
Washington, DC 20036

Robert J. Aamo
Reed, Smith, Shaw & McClay
1200 18th Street, N.W.
Washington, D.C. 20036
Attorney for CompTel

Philip L. Verveer, Esq.
Sue D. Blumenfeld, Esq.
Wilkie, Farr & Gallagher
1155 21st Street, N.W.
Suite 600
Washington, D.C. 20036

William D. Baskett, III
Thomas E. Taylor
Frost & Jacobs
2500 Central Trust Center
201 East Fifth Street
Cincinnati, OH 45202
Attorneys for Cincinnati Bell
Telephone Company

Genevieve Morelli
General Counsel
Competitive Telecommunications
Association
1140 Connecticut Avenue N.W.
Suite 220
Washington, D.C. 20036

Robert C. Mackichan, Jr., Esq.
Vincent L. Crivella, Esq.
General Services Administration
18th & F Streets, N.W., Rm. 4002
Washington, D.C. 20405

Gail L. Polivy
GTE Service Corporation
1850 M Street, N.W.
Suite 1200
Washington, D.C. 20036

Richard McKenna, W11L15
GTE Service Corporation
P.O. Box 152092
Irving, TX 75015-2092

Eilyn Elise Crutcher
Counsel for Consolidated
Network, Inc.
121 S. 17th Street
Mattoon, IL 61938

James U. Troup
Arter & Hadden
1801 K Street, N.W.
Suite 400K
Washington, D.C. 20006
Attorney for Iowa Network
Access Division

Darrell S. Townsley, Esq.
Special Asst. Attorney General
Illinois Commerce Commission
P. O. Box 19280
Springfield, IL 62794

Brian R. Moir
Fisher, Wayland, Cooper
& Leader
1255 23rd St., N.W., Suite 800
Washington, D.C. 20037-1125
Attorneys for International
Communications Association

James D. Heflinger, Esq.
Vice President/General Counsel
LITel Communications, Inc.
4650 Lakehurst Court
Dublin, OH 43017

Andrew D. Lipman
Russell M. Blau
Swidler & Berlin, Chartered
3000 K Street, N.W.
Washington, D.C. 20007
Attorneys for Metropolitan
Fiber Systems, Inc.

Peter A. Rohrbach
Gerald E. Oberst, Jr.
Hogan & Hartson
555 13th Street, N.W.
Washington, D.C. 20004
Attorneys for Advanced
Telecommunications Corp.

**Paul Rodgers, Esq.
Charles D. Gray, Esq.
National Association of
Regulatory Utility
Commissioners
P.O. Box 684
Washington, D.C. 20044**

**David Cosson, Esq.
L. Marie Guillory, Esq.
National Telephone Cooperative
Association
2626 Pennsylvania Avenue N.W.
Washington, D.C. 20037**

**Lisa Zaina
OPASTCO
21 Dupont Circle, Suite 700
Washington, D.C. 20036**

**Stanley J. Moore
Pacific Bell
1275 Pennsylvania Avenue N.W.
Washington, D.C. 20004**

**Richard A. Askoff
National Exchange Carrier
Association, Inc.
100 South Jefferson Road
Whippany, NJ 07981**

**Patrick A. Lee
Joseph DiBella
120 Bloomingdale Road
White Plains, New York 10605
Attorneys for
New York Telephone Company
and New England Telephone
and Telegraph Company**

**Daryl L. Avery, Esq.
Peter G. Wolfe, Esq.
Public Service Commission
of the District of Columbia
450 Fifth Street, N.W.
Washington, D.C. 20001**

**Michael J. Shortley, III
Rochester Telephone Corp.
180 South Clinton Avenue
Rochester, NY 14646**

**Douglas Hanson
President
SP Telecom
60 Spear Street, Suite 700
San Francisco, CA 94105**

**E. William Kobernusz
Vice President - Regulatory
The Southern New England
Telephone Company
227 Church Street - 15th Flr.
New Haven, CT 06510-1806**

**M.B. Gray, President/Owner
Telecommunications
Opportunities Research
335 Wild Horse Circle
Boulder, CO 80304**

**Larry Van Ruler, Esq.
Tallon, Cheesman and Assoc., Inc.
3817 Betty Drive, Suite H
Colorado Springs, CO 80907**

Leon M. Kestenbaum
H. Richard Juhnke
1850 M Street N.W.
Suite 1100
Washington, D.C. 20036
Attorneys for
US Sprint

Robert C. Atkinson
Senior Vice President
Regulatory & External Affairs
Teleport Communications Group
One Teleport Drive, Suite 301
Staten Island, NY 10311

Laura D. Ford
Lawrence E. Sarjeant
James T. Hannon
1020 19th Street, N.W.
Suite 700
Washington, D.C. 20036
Attorneys for
U S West Communications,
Inc.

Bob F. McCoy
Joseph W. Miller
Ranee F. Charney
Williams Telecommunications
Group, Inc.
Suite 3600, P.O. Box 2400
One Williams Center
Tulsa, Oklahoma 74102

William J. Free
Richard C. Hartgrove
Thomas J. Horn
1010 Pine Street, Rm. 2114
St. Louis, Missouri 63101
Attorneys for
Southwestern Bell
Telephone Company

Durward D. Dupre, Esq.
Richard C. Hartgrove
Southwestern Bell Telephone Co.
1010 Pine Street, Rm. 2114
St. Louis, MO 63101

Advanced Telecommunications
Corporation
Brian K. Sulmonetti
1515 South Federal Highway
Suite 400
Boca Raton, FL 33432

Komar Ervices Inc.
Martha E. Miles
835-189th St.
Hammond IN 46324

Great Plains Communications Inc.
S. Michael Jensen
Vice President and General
Manager
1635 Front Street
P.O. Box 500
Blair, Nebraska 68008

LDDS Communications, Inc.
Catherine R. Sloan
Vice President, Federal
Affairs
1825 Eye Street, N.W. Suite 400
Washington, D.C. 20006

BellSouth Corporation &
BellSouth
Telecommunications, Inc.
Rebecca M. Lough
4300 Southern Bell Center
675 West Peachtree St., NE
Atlanta, GA 30375

Cathey, Hutton & Assoc. Inc.
Lawrence P. Keller
Directory-Federal
Regulatory Services
3300 Holcomb Bridge Road
Suite 286
Norcross, GA 30092

Duke Power Company
J. Mike Surratt
P.O. Box 10006
Charlotte, N.C. 28201-1006

Compuserve Incorporated
Randolph J. May
Richard S. Whitt
Sutherland, Asbill & Brennan
1275 Pennsylvania Avenue, NW
Washington, DC 20004

Thomas R. Friedman
Karen L. Friedman
3402 W. Lakeshore Drive
Crown Point, IN 46307

Henry D. Levine
Ellen G. Block
D.E. Boehling
LEVINE, LAGAPA & BLOCK
Counsel for Anheuser-Busch, et al
1200 Nineteenth Street, N.W.
Suite 602
Washington, DC 20036

Lora Janasser
10809-D NE 48 Cir
Vancouver, WA 98682

Metromedia Communications
Corporation
Richard Heitmann, Esq.
Angel M. Cartagena, Esq.
1 Meadowlands Plaza
East Rutherford, NJ 07073

Midwest Power Products &
Controls, Inc.
Michael J. Burvan, President
151 Briarwood Dr.
Schereville, IN 46375

Missouri Public Service
Commission
Colleen M. Dale
Senior Counsel
P.O. Box 360
Jefferson City, Missouri
65102

Public Service Commission of
South Carolina
Gary E. Walsh
111 Doctors Circle
Post Office Drawer 11649
Columbia, South Carolina 29203

Pascal Communications
Pascal A. Marco
514 Evergreen Lane
Munster, IN 46321-2302

People of the State of
California and the Public
Utilities Commission of the
State of California
Peter Arth, Jr.
Edward W. O'Neill
Ellen S. Levine
505 Van Ness Ave.
San Francisco, CA 94102

Rochester Telecom Systems Inc.
220 S. Broadway
P.O. Box 235
Rochester, MN 55903-0235

Schneider Communications, Inc.
Don Detampel, President
P.O. Box 2475
3061 S. Ridge Road
Green Bay, WI 54306-2475

**United Telephone System
Companies**
W. Richard Morris
P.O. Box 11315
Kansas City, MO 64112

**Williams Telecommunications
Group, Inc.**
Peter A. Rohrbach
Karis A. Hastings
Hogan & Hartson
555 Thirteenth St., NW
Washington, DC 20004

**United Telephone System
Companies**
Jay C. Keithley
1850 M Street, NW
Suite 1100
Washington, DC 20036

Linda Kent
Associate General Counsel
USTA
1401 H Street, NW Suite 600
Washington, DC 20005-2136

WiTel, Inc.
John C. Gammie
Suite 3600
P.O. Box 2400
One Williams Center
Tulsa, Oklahoma 74102

Charles H. Helein
General Counsel
HELEIN & WAYS DORF
Attorney for America's
Carriers Telecommunications
Association
1850 M Street, N.W.
Suite 550
Washington, DC 20036

**Lufkin-Conroe Telephone Exchange,
Inc.**
Dale Green
P.O. Box 909
321 North First
Lufkin, TX 75902-0909

**The Lincoln Telephone and
Telegraph Company**
Robert A. Mazer, Attorney
Nixon, Hargrave, Devans & Doyle
One Thomas Circle N.W. Suite 800
Washington, DC 20005

Nynex Telephone Companies
Edward R. Wholl
Joseph Di Bella
120 Bloomingdale Road
White Plains, NY 10605

Pacific Bell
Nevada Bell
James P. Tuthill
Nancy C. Woolf
140 New Montgomery St.
Room 1523
San Francisco, CA 94105

The Southern New England
Telephone Company
Anne U. MacClintock
227 Church Street, 4th Fl.
New Haven, CT 06506

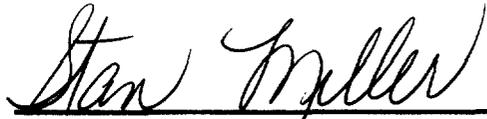
Minnesota Equal Access Network
Services, Inc.
Benjamin H. Dickens, Jr.
Gerard J. Duffy
Blooston, Mordkofsky, Jackson
& Dickens
2120 L Street, NW, Ste 300
Washington, DC 20037

Susan M. Miller
Alliance for Telecommunications
Industry Solutions
1200 G St., NW, Suite 500
Washington, DC 20005

Lawrence C. St. Blanc
Secretary
Louisiana Public Service Commission
P.O. Box 91154
Baton Rouge, LA 70821-9154

James P. Tuthill
John W. Bogy
140 New Montgomery Street
Room 1530-A
San Francisco, CA 94105
Attorneys for Pacific Bell
and Nevada Bell

HAND DELIVERED**


Stan Miller