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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

In the Matter of	)	
	)	
MISSISSIPPI CABLE TELEVISION ASSOCIATION,	)	CC 95-94
	)	
Complainant,	)	
	)	
versus	)	File No. PA-91-0009
	)	
SOUTH CENTRAL BELL TELEPHONE COMPANY,	)	DOCKET FILE COPY ORIGINAL
	)	
Respondent.	)	

TO: The Common Carrier Bureau

RESPONSE

Respondent, South Central Bell Telephone Company ("South Central Bell"), pursuant to Section 1.1407 of the Commission's Rules, hereby responds to the Complaint of Mississippi Cable Television Association ("Mississippi"). South Central Bell respectfully represents:

1. Respondent admits the allegations of paragraph 1 of the Complaint.

2. Respondent admits the allegations of paragraph 2 of the Complaint, except to note that South Central Bell is represented in the current proceeding by undersigned counsel.

3. Respondent admits the allegations of paragraph 3 of the Complaint.

4. Respondent admits the allegations of paragraph 4 of

the Complaint.

5. Respondent admits the allegations of paragraph 5 of the Complaint.

6. Respondent denies that it was properly served with the captioned complaint, if that is what is alleged in Paragraph 6 of the Complaint. Respondent has appointed agents for receipt of service of process in both Alabama and the District of Columbia, neither of which was served with the captioned complaint.

7. Respondent admits the allegations of Paragraph 7 of the Complaint.

8. Respondent denies the allegations of Paragraph 8 of the Complaint.

9. Respondent denies the allegations of Paragraph 9 of the Complaint. South Central Bell's calculations, as set forth in the attached Affidavit of William J.P. Tyler, are as follows:

(A) Maintenance (6411)
- Maintenance/Net Pole Investment = 0.1685
  7601487/45123196

(B) Taxes (Normalized)
- Taxes Normalized/Net Plant Investment = 0.0768
  91183247/1187994030

(C) Depreciation
- Depreciation Rate x (Gross Pole Investment/Net Pole Investment) = 0.1056
  0.066 x (72194010/45123196)

(D) Administration (6710+6720+6535+6124+6231)
- Administration/Net Plant Investment = 0.0863
  102546806/1187994030

(E) Cost of Capital = 0.1124

Total Annual Charge Factor (A+B+C+D+E) = 0.5496

Formula:

(Net Book Investment	x	Bare Pole) Factor	/	No. Poles in Service	=	Bare Pole Cost
($45,123,196	x	.95)	/	262,687	=	$163.19
Bare Pole Cost	x	Usage	x	Annual Cost Factor	=	Rental Rate
$163.19	x	(1/13.5)	x	0.5496	=	$6.64

10. Respondent denies the allegations of Paragraph 10 of the Complaint. Respondent denies that the letters cited by Mississippi represent a correct mapping of accounts from Part 31 to Part 32 of the Commission Rules. Both columns (ad) and (ae) represent appropriate costs that must be reflected in the pole attachment rate formula.

11. Respondent admits the allegations of Paragraph 11 of the Complaint regarding the amounts shown in South Central Bell's Annual Report to the Mississippi PSC, but denies that the calculations made from those amounts by Mississippi properly reflect the maintenance expense chargeable to Complainant under the FCC formula.

12. Respondent denies the allegations of Paragraph 12 of the Complaint with reference to the calculation of the administrative factor. The Commission's Rules do not require that any portion of Account 6535 be removed from the calculation of the administrative factor. Further answering, Respondent asserts that the amounts contained in Accounts 6124 and 6231 should be included in the development of the administrative factor. Further answering in the

alternative, should the Commission determine that either benefits or rents (or both) are to be excluded from the calculation of the maintenance factor, then such amounts would need to be added to the calculation of the administrative factor.

13. Respondent admits the allegations of Paragraph 13 of the Complaint.

14. Respondent denies the allegations in Paragraph 14 of the Complaint.

15. Respondent denies the allegations of Paragraph 15 of the Complaint, and reiterates its willingness to negotiate in an attempt to reach a reasonable compromise of this Complaint.

16. Respondent admits the allegations of Paragraph 16 of the Complaint.

17. Respondent denies the allegations of Paragraph 17 of the Complaint. Further answering, Respondent alleges that a just and reasonable rate for Complainant's attachments to its poles is $6.64, as set forth in paragraph 9, above, and in the Affidavit of William J.P. Tyler, which is attached hereto and made a part of this Response. Since the maximum just and reasonable rate under the Commission's formula is greater than the $6.55 rate charged to Mississippi, the Complaint should be dismissed.

18. Respondent denies that the differences between the parties are not susceptible of informal settlement, as

alleged in Paragraph 18 of the Complaint.

19. Respondent denies that Mississippi is entitled to the relief requested in the paragraph of the Complaint labeled paragraph 21.

WHEREFORE, South Central Bell respectfully requests that its Response be deemed sufficient and that this Complaint be dismissed with prejudice. South Central Bell requests that the Commission provide the parties with appropriate Part 32 accounts to be used in the calculation of pole attachment rates. South Central Bell also requests that the Commission provide the appropriate formulas, should the Commission agree with Mississippi that only a portion of an administrative account is to be included in the development of the administrative expense factor.

Respectfully submitted,

SOUTH CENTRAL BELL TELEPHONE COMPANY

By its attorneys:

William B. Barfield
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Suite 1800
1155 Peachtree Street, N.E.
Atlanta, Georgia 30367
Phone: (404) 249-2647

Date: November 26, 1991

STATE OF ALABAMA
COUNTY OF JEFFERSON

AFFIDAVIT

OF

WILLIAM J. P. TYLER

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared William J. P. Tyler, who, being by me first duly sworn, says as follows:

I, William J. P. Tyler, am a manager within the Pricing and Economics Department of BellSouth Telecommunications (BST), providing corporate staff support for South Central Bell Telephone Company. I was the manager responsible for the development of the methodology used by BST for mapping those Part 31 to Part 32 Uniform System of Accounts which are used to calculate the existing CATV pole attachment rates pursuant to the formulas contained in Appendix A to Memorandum Opinion and Order - Amendment of Rules and Policies Governing the Attachment of Cable Television Hardware to Utility Poles, FCC Docket 86-212.

Historically, and prior to the implementation of the Uniform System of Accounts Rewrite Part 32 (USOAR), CATV pole attachment rental rates were derived through use of the formulas and guidelines as set forth in the Federal Communications Commission's Docket 86-212. The Commission's formulas and guidelines promulgated in Docket 86-212 were based on Part 31 rules. Effective January 1, 1988, the new accounting structure (Part 32) became effective; therefore, the existing formulas as established

in the Commission's docket, were no longer appropriate for developing CATV pole attachment rental rates.

On January 9, 1989 the Commission released a Memorandum Opinion and Order (MO&O) on Reconsideration in Docket 86-212 (Amendment of Rules and Policies Governing the Attachment of Cable Television Hardware to Utility Poles). Page 6, Section IV, Paragraph 40 of the Commission's MO&O stated that certain references in Appendix B of the previous Report and Order were inconsistent with the FCC Annual Report Form M. Therefore, the FCC corrected the references to these items and clarified references to other items in these forms for use in the Commission-adopted formulas. Page 8, Appendix A of the January 9, 1989 MO&O contains these corrections. The January 9, 1989 MO&O, however, did not address the formulas or the new Part 32 accounts which had been in existence for a period of one year.

During the latter part of 1988 an attempt to develop CATV rental rates began by mapping the old Part 31 accounts to the new Part 32 accounts. The intention of the mapping process was to determine which Part 32 accounts mirrored the Part 31 accounts and should be substituted in the existing formula as established by the Federal Communications Commission Docket 86-212.

Columns (ad) and (ae) of Account 6411 should not be excluded from the calculation of the maintenance component. Under Part 32, Account 6411 records the total expense incurred for a pole which is associated with investment Account 2411. Under Part 31, Account 602.1 was the expense account for a pole associated with investment Account 241. Under Part 31 there was no requirement by the FCC to exclude any portion of Account 602.1. Thus, appropriate mapping

does not require that any portion of Account 6411 be excluded. The factor derived from a total maintenance expense to total investment ratio is not unique to the calculation of CATV rental rates. This methodology is used by many telephone companies in developing embedded annual cost factors, as well as in determining the embedded cost of interstate services.

Column (ad) "benefits" previously included in Part 31 Account 672 and Account 307 now includes only those expenses directly related to the employees wages as reflected in column (ac) Salaries and Wages. I consider column (ad) a legitimate maintenance expense incurred with maintaining a pole.

All of Account 6535 should be included in the computation of the administrative expense factor. I am not aware of any formulas set forth by the Federal Communications Commission to determine the derivation of a portion of any administrative account. As stated in the Federal Communications Docket 86-212, released July 23, 1987, in discussions concerning development of Administrative expenses,

> "Indeed, Commission procedures and calculations should remain simple and expeditious and not modelled on ratemaking or complex tariff proceedings."

In conclusion to the discussions, the Federal Communications Commission further stated

> "we will adopt, as suggested in Alabama Power the ratio of total administrative and general expenses to total plant investment."

Any administrative component included in the numerator of the calculation should be included in its entirety. This rationale is not only based on the Federal Communications Commission ruling, but also on the fact that the denominator of the calculation includes

Total Plant in Service and, therefore, the expenses included in the numerator supports the total of the plant - not just the pole account.

In the attachment to the FCC's Accounting and Audits Division letter of June 22, 1990, Mr. Moran includes Accounts 6124 and 6231 in the calculation of the administrative factor. By oversight, BST did not consider these accounts in the administrative factor and respectively requests that the calculation of the CATV rental rates be adjusted accordingly.

BellSouth Telecommunications, in accordance with Mississippi Docket No. 5349, is willing to adjust the authorized rate of return to 11.24%.

As a result of the foregoing, the CATV pole attachment rates should be calculated as follows:

(A) Maintenance (6411)

- Maintenance/Net Pole Investiment = 0.1685
  7601487/45123196

(B) Taxes (Normalized)
- Taxes Normalized/Net Plant Investment = 0.0768
  91183247/1187994030

(C) Depreciation

- Depreciation Rate x (Gross Pole Investment/Net Pole Investment)

  0.066 x (72194010/45123196) = 0.1056

(D) Administration (6710+6720+6535+6124+6231)

- Administration/Net Plant Investment = 0.0863
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(E) Cost of Capital = 0.1124

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Formula:

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($45,123,196	x	.95	/	262,687	=	$163.19
Bare Pole Cost	x	Usage	x	Annual Cost Factor	=	Rental Rate
$163.19	x	(1/13.5)	x	0.5496	=	$6.64

William J.P. Tyler

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 6th DAY OF November, 1991.

Notary Public

CERTIFICATE OF SERVICE

I hereby certify that I have this 26th day of November, 1991 serviced all parties to this action with a copy of the foregoing RESPONSE by placing a true and correct copy of same in the United States mail, postage prepaid, addressed to:

Paul Glist
Cole, Raywid & Braverman
1919 Pennsylvania Ave., N.W.
Washington, D.C. 20006

Mississippi Public Service
Commission
P.O. Box 1174
Jackson, MS 39215-1174

Jane Jackson
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Federal Communications Commission
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2000 L Street, N.W.
Washington, D.C. 20554

Susan V. Queen

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