ANN BAVENDER*
JAMES A. CASEY
KAREN L. CASSER*
ANNE GOODWIN CRUMP*
VINCENT J. CURTIS, JR.
PAUL J. FELDMAN*
ERIC FISHMAN*
RICHARD HILDRETH
EDWARD W. HUMMERS, JR.
FRANK R. JAZZO
CHARLES H. KENNEDY*
KATHRYN A. KLEIMAN
PATRICIA A. MAHONEY
M. VERONICA PASTOR*
GEORGE PETRUTSAS
LEONARD R. RAISH
JAMES P. RILEY
MARVIN ROSENBERG
KATHLEEN VICTORY*
HOWARD M. WEISS
* NOT ADMITTED IN VIRGINIA

FLETCHER, HEALD & HILDRETH, P.L.C.
ATTORNEYS AT LAW
11th FLOOR, 1300 NORTH 17th STREET
ROSSLYN, VIRGINIA 22209-3801

(703) 812-0400
TELECOPIER
(703) 812-0486
INTERNET
HILDRETH@ATTMAIL.COM

ROBERT L. HEALD
(1956-1983)
PAUL D.P. SPEARMAN
(1936-1962)
FRANK ROBERSON
(1936-1961)
RUSSELL ROWELL
(1948-1977)

RETIRED
EDWARD F. KENEHAN
FRANK U. FLETCHER

CONSULTANT FOR INTERNATIONAL AND INTERGOVERNMENTAL AFFAIRS
SHELDON J. KRYS
U. S. AMBASSADOR (ret.)

OF COUNSEL
EDWARD A. CAINE*

WRITER'S NUMBER
(703) 812-
0403

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June 29, 1995

BY HAND DELIVERY
Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

Re: CC Docket No. 95-72
End User Common Line Charges

Dear Mr. Caton:

Transmitted herewith, on behalf of Roseville Telephone Company, are an original and nine copies of its Comments in the above-referenced docket.

Should there be any questions concerning this matter, please communicate with the undersigned counsel.

Very truly yours,

Paul J. Feldman
Counsel for
Roseville Telephone Company

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Enclosure

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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

In the Matter of	)	
	)	CC Docket No. 95-72
End User Common Line Charges	)	
	)	

DOCKET FILE COPY ORIGINAL

COMMENTS OF ROSEVILLE TELEPHONE COMPANY

Roseville Telephone Company, by its attorneys, hereby files its Comments in response to the Commission's Notice of Proposed Rulemaking, released May 30, 1995, in the above-captioned proceeding ("NPRM"). In these Comments, Roseville submits that the approach which most closely reflects the purpose of the Subscriber Line Charge ("SLC") is to assess one SLC per physical line, per subscriber, regardless of the number of communications channels derived from the physical line. This approach is consistent with cost recovery principles and other Commission policy goals.

I. Charging Only One SLC Per Physical Line Most Closely Reflects the Purpose of SLCs.

In an order adopted in 1983, the Commission adopted a comprehensive system of charges for the recovery of LEC costs associated with the origination or termination of interstate calls.[1] In relevant part, the access charge plan which the Commission

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[1] See MTS and WATS Market Structure, *Third Report and Order*, 93 FCC 2d 241 (1983), *modified on reconsideration*, 97 FCC 2d 682 (1983), *modified on further consideration*, 97 FCC 2d 834 (1984), *aff'd in principal part and remanded in part*, National Ass'n of Regulatory Utility Commissioners v. FCC, 737 F.2d 1095 (D.C. Cir 1984), *cert. denied*, 105 S. Ct. 1224, 1225 (1985), *modified on further consideration*, 99 FCC 2d 708 (1984), 101 FCC 2d 1222 (1985), *aff'd on further reconsideration*, 102 FCC

adopted in that proceeding provided for recovery of a major portion of loop costs through monthly flat-rate charges called subscriber line charges. In 1992, the Commission rejected, on definitional grounds, the position taken by NYNEX that only one SLC should be charged for each physical line providing service to a customer regardless of the total channel capacity of that line.[2] However, recognizing the broad potential impact of that decision, this rulemaking proceeding was instituted to revisit the issue.

In its NPRM, the Commission posed a series of questions relating to the recovery of local loop costs through the SLC, and the application of that charge to Integrated Services Digital Network ("ISDN") lines. Specifically, the NPRM seeks to determine whether an SLC should be assessed for each derived channel in an ISDN local loop, or whether some other approach should be taken. Roseville submits that the approach which most closely reflects the purpose of the SLC, the recovery of non-traffic sensitive loop costs, is to assess one SLC per physical line per subscriber. In addition, this recovery method serves the important policy goals of encouraging the development of the National Information Infrastructure ("NII"), avoiding discrimination and uneconomic bypass, and enhancing universal service.

As is explained in the NPRM, the primary purpose of the SLC is the recovery of a portion of the non-traffic sensitive local loop costs associated with providing interstate

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2d 849 (1985).

[2] See NYNEX Telephone Companies Tariff Transmittal No. 116, 7 FCC Rcd 7938 (1992), *reconsideration denied*, 10 FCC Rcd 2247 (1995).

access telephone service.[3] The idea is to charge the subscriber with a portion of the costs of providing the physical line link to the local network. This idea works well so long as the physical line[4] to the subscriber provides only a single channel of communication. ISDN, however, uses multiplexing technology to provide multiple communications channels over a single physical line. While the question of how to assess SLCs appears, at first glance, to be more complicated in this circumstance, it is not.

The basic concept underlying the use of the SLC is simple: the cost of laying the physical line should be borne by the subscriber for whom the cost is incurred. This cost is not traffic sensitive, so a flat fee is the most efficient method of recovery. Since the cost of the physical line does not vary with usage, the charge to the subscriber should not vary with usage.[5] ISDN derives multiple communications channels without requiring additional physical lines ("derived channels"). The derived channels provided by ISDN are not additional physical lines, but rather are a more efficient form of plant usage, resulting in additional channels at little or no additional cost.[6] Thus, assessment of an SLC per derived channel (or some ratio of derived channels) that bears no actual

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[3] See NPRM at ¶6.

[4] Here, "physical line" will refer to the normal twisted-pair copper wiring used to provide telephone service.

[5] *Cf.* Charles H. Kennedy, An Introduction to U.S. Telecommunications Law 20 (1994).

[6] See NYNEX Tariff Transmittal No. 116, 7 FCC Rcd 7938, 7939 (CCB 1992)(noting that NYNEX's argument, that providing multiple channels via ISDN is less costly than providing the same service over multiple facilities, may be sufficient reason for changing the current SLC rule.).

relationship to the cost of the local loop is antithetical to the purpose of the SLC.[7] Multiple SLCs would also result in inefficient use of the network, by distorting the price of ISDN based services.

In Roseville's case, ISDN is a feature that is ordered in addition to a single line residence or business service. The residence or business is assessed an SLC. The costs for providing ISDN are recovered by the monthly and non-recurring charges for the ISDN service. Any additional SLCs charged on these lines would result in inefficient pricing because, as is discussed above, the charges would not reflect the marginal cost of providing the service. Thus, the single SLC per physical line per subscriber approach is the only method of cost recovery which does not also result in artificially inflated flat-rate charges to the subscriber.[8] While some may argue that such an approach will result in an overall loss of SLC revenue, this "loss" will reflect only a cut back on artificially inflated non-traffic sensitive charges to the subscriber. The difference should and can be recovered though rates for services used. The Carrier Common Line (CCL) portion of the Commission's cost recovery scheme, therefore, need not increase since, in most cases, there should be no increase in unrecovered plant costs.

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[7]Furthermore, because derived channel use on a single facility will vary from day to day, trying to assess SLCs based on demand use is impractical, and would increase administrative costs considerably.

[8] Some inconsistency may result in this approach when multiple SLCs for one facility are charged to multiple subscribers. No recovery method, however, will be a perfect solution. However, charging one SLC per line, per subscriber has the benefit of cushioning some of the SLC revenue loss which might occur, as well as providing an equitable scheme in that all subscribers are assessed similar charges for similar services.

II. Charging Only One SLC Per Physical Line is Necessary to Promote Universal Service and the Creation of Advanced Networks.

In addition to providing for a reasonable and cost-based efficient recovery of local loop costs, the single SLC per line per subscriber approach also furthers other important policy goals. Commissioner Barrett has noted that "[t]here is a growing consensus among federal and state regulators, scholars, and industry leaders on the need for a more advanced network."[9] The attention given recently to the NII and its potential impact on economic and social development underscores this point.[10] ISDN is an important tool for the development of the NII, and advanced services to be provided over the public switched network.[11] Application of an SLC per derived channel, however, would drastically increase the cost to the subscriber of ISDN services, and thus limit use of ISDN based services, especially by individuals and small businesses. Without a critical mass of users, rapid development and deployment of ISDN will not occur.

Requiring local exchange carriers to charge multiple SLCs would also have the

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[9] Barrett, Andrew C., Public Policy and the Advanced Intelligent Network 42 FED. COMM. L.J. 413, 414-15 (1990).

[10] "All Americans have a stake in the construction of an advanced National Information Infrastructure (NII), a seamless web of communications networks, computers, databases, and consumer electronics that will put vast amounts of information at users' fingertips. Development of the NII can help unleash an information revolution that will change forever the way people live, work, and interact with each other." National Telecommunications and Information Administration, National Information Infrastructure: Agenda for Action, September 1993, at Tab A.

[11] See e.g. New York Times, *Digital Commerce: Video Conferencing Technology Hyped for So Long, May Finally Be Near*, June 26, 1995 at D3 (noting that the advent of commercially viable video conferencing is based on the availability of ISDN).

detrimental effect of creating a substantial incentive for uneconomic bypass of the LEC by large users. This would hamper further development and modernization of the public switched network, injuring those that rely upon this network for their telecommunications needs.

In addition to enhancing the development of the NII, and preventing uneconomic bypass, the one SLC per physical line approach also advances the important policy goal of universal service. Derived channels are an effective way of obtaining the capacity necessary for increased services for residential and small business voice, data and other communications. Furthermore, a single SLC per physical line rule will make ISDN services more affordable, an important result as the concept of universal service evolves to include advanced telecommunications services.[12] A contrary approach could be one more step towards a society split between information "haves" and "have nots."

III. Conclusion

When the Commission adopted the current access charge rules, it did not foresee the derivation of multiple channels over a single line now made possible by ISDN.[13] The current rules fail to reflect the fact that technology now makes it possible to substantially increase channel capacity on a single line without a substantial increase in loop costs. Accordingly, charging multiple SLCs for the increased channels provided through ISDN services constitutes an inefficient tax on usage, not a recovery of costs.

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[12] See Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, Comments of Roseville Telephone Company, filed October 28, 1994, at 2.

[13] See NPRM at ¶10.

As has been discussed, important policy concerns regarding universal service and development of an advanced network also require that local loop costs be recovered through an SLC collection scheme which is rationally related to the actual costs for those loops. A single SLC per line per subscriber is the best method to meet these criteria.

Respectfully submitted,
ROSEVILLE TELEPHONE COMPANY

Paul J. Feldman

George Petrutsas
Paul J. Feldman
James A. Casey

Its Attorneys

FLETCHER, HEALD & HILDRETH, P.L.C.
11th Floor, 1300 North 17th Street
Rosslyn, Virginia 22209
(703) 812-0400

June 29, 1995