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

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In the Matter of	)	
	)	
Local Exchange Carriers' Rates,	)	CC Docket No. 94-97, Phase II
Terms, and Conditions for	)	
Expanded Interconnection Through	)	
Virtual Collocation for	)	
Special Access	)	
and Switched Transport	)	

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REBUTTAL OF AMERITECH

Ameritech[1] submits this rebuttal to comments filed on its direct case in this proceeding.[2]

I. Ameritech's Request for Confidential Treatment.

In connection its direct case in this proceeding, Ameritech requested confidential treatment of certain cost data applicable to "comparable" DS1 and DS3 services. Two parties argued that the request was contrary to the Commission's rules, unlawful, or otherwise inconsistent with the public interest.[3]

First, it is important to note that Ameritech has not sought confidential treatment of any information relating to the costs underlying the virtual collocation service under investigation in this proceeding -- Ameritech Virtual Optical Interconnection Service

[1] Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

[2] The following parties filed comments directed to Ameritech's Direct Case: ICG Access Services ("ICG"); Time Warner Communications Holdings, Inc. ("Time Warner"); Association for Local Telecommunications Services ("ALTS"); MCI Telecommunications Corporation ("MCI"); MFS Communications Company, Inc. ("MFS").

[3] MCI at 10, ALTS at 10-12.

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("AVOIS"). Rather, Ameritech has requested confidential treatment only of cost information underlying competitive DS1 and DS3 services -- the services subject to the very competition the Commission is facilitating by its expanded interconnection requirements.

Moreover, all of that information has been filed with the Commission as well. All relevant information is available to the Commission for its review and analysis.[4] No evidence has been adduced to indicate that the Commission is incapable of proper analysis of that information.

In addition, with respect to MCI's claim that Ameritech has not justified its request for confidential treatment, Ameritech would point out that such justification was submitted with the information and the request for confidential treatment itself.

Further, with respect to claims that confidential treatment of the information is not in the public interest, Ameritech would note that it also is not in the public interest for the Commission to require one competitor to divulge its cost information to another competitor. Such a disclosure could inhibit the natural operations of the marketplace.

In short, Ameritech has provided sufficient information to the Commission for it to properly evaluate Ameritech's AVOIS tariff provisions. MCI's and ALTS' implied suggestion that the Commission might not be able to perform that task unaided should be disregarded.

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[4] Despite ALTS' suggestion to the contrary (ALTS at 18-21), Ameritech did calculate the amount of cable installation and support and maintenance expense that is attributable to DS1 and DS3 services and supply that information to the Commission.

II. Rate Structure.

Two parties have incorrectly suggested that interconnection tariffs are discriminatory to the extent that they require interconnectors to bear a greater portion of their nonrecurring costs through nonrecurring charges than the LECs' own access customers are required to bear.[5] There are no minimum terms for AVOIS. Thus, an interconnector can disconnect service at any time -- even as early as just one month after installation. Moreover, the service is so new that it would be difficult to make assumptions about "location life" that would be necessary for recouping nonrecurring costs through recurring charges. Under these circumstances, it is reasonable to recover the most significant portion of nonrecurring costs via nonrecurring charges.

Similarly, MFS's request that the Commission require LECs to offer volume and term discounts is misplaced. In the case of Ameritech, the provision of AVOIS results in nonrecurring costs and facilities costs (floor space) that provide little opportunity for volume or term "economies" from Ameritech's standpoint. There are, nonetheless, opportunities for competitive access providers ("CAPs") to utilize AVOIS to achieve their own economies. For example, the more cross-connect arrangements that a CAP is successful in generating, the more services there are for it to spread the cost of the AVOIS arrangement over.

III. Rollovers.

Both ICG and MCI complain about the treatment of "rollovers" -- the transfer of the connection of LEC-provided local distribution channels ("LDCs") from LEC-

[5] MFS at 8-11, ICG at 6-7.

provided transport to CAP-provided transport via an interconnection arrangement. Both complain about LEC requirements that rollovers take place on a circuit level basis. ICG expresses a concern over paying "re-engineering and re-installation charges."[6] MCI complains of extra time and effort involved to change DS3 circuits over at the DS1 or DS0 level.[7]

First, it should be noted that rollovers involving non-channelized DS3 services do take place at the DS3 level. Despite ICG's intimation to the contrary, even at this level, circuits must be re-engineered. In no case can it be assumed that proper service can be effected by simply unplugging the connection to Ameritech transport and reconnecting it to CAP-provided transport equipment. Often, CAP-designated equipment will be located in a different part of the office. Thus, a circuit engineer must look at each rollover circuit to make sure that the reinstallation will be done properly.

With respect to MCI's complaint concerning rollovers at the sub-DS3 level, Ameritech would note that the inventory and billing system change activity that MCI complains of, is in fact necessary work to ensure that the rollover is properly accomplished, billing changes are made, and records are properly updated. Moreover, despite MCI's protestation to the contrary, other Ameritech customers do write their own ASRs. And, while there may be some additional time requirements with doing the rollover at the sub-DS3 level, Ameritech knows of nothing that would require any time differential of the order of magnitude cited in MCI's comments (two months versus

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[6] ICG at 7.
[7] MCI at 24-25.

twelve months). Finally, it should be noted that recent changes to Ameritech's hub rearrangement charges provide customers greater flexibility and lower costs for moving existing channelized Ameritech digital service to AVOIS arrangements.[8]

IV. Tariff Provisions.

A. Training.

Several parties suggested that the Commission take steps to remedy certain alleged lack of clarity in LEC tariff provisions concerning training. Specifically, MFS expressed a concern that LECs would impose undue requirements and prevent CAPs from making their own arrangements and potentially enjoying cost savings.[9] MCI expressed a similar concern.[10] These comments do not apply to Ameritech, however, since it is the CAP that makes arrangements for all training for maintenance of designated equipment in an AVOIS arrangement. Moreover, Ameritech and the CAP jointly make a determination as to what is the appropriate number of persons that should be trained. Ameritech pays for the wages of the technicians during the training period. The CAP can arrange for the training itself so the CAP ultimately can control all training-related costs that it would be required to pay.

B. Maintenance intervals.

Three parties have requested that the Commission require LECs to tariff installation and maintenance intervals for interconnection services.[11] In addition, MCI

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[8] *See*, §7.4.2(C)(5)(b) of Ameritech's Tariff FCC No. 2 (effective October 27, 1995).
[9] MFS at 21-23.
[10] MCI at 19-22.
[11] MFS at 23, MCI at 22-23, Time Warner at 53-54.

calls for a requirement for the filing of semi-annual quality service reports by central office.[12]

Again, Ameritech would note that tariffing installation and repair intervals for AVOIS would make that service unique in that regard. Since installation is performed by the CAP's contractor, tariffing an installation interval requirement would be inappropriate and requiring a report on installation intervals would not necessarily provide any meaningful information about Ameritech performance.

Similarly, maintenance and repair will be performed only at the request of the CAP. The CAP can decide if it wishes to train Ameritech personnel to conduct periodic inspections of its designated equipment. Tariffing maintenance intervals would not be appropriate nor would reporting on those intervals provide the Commission with useful data.

As Ameritech noted in its Direct Case,[13] trouble reports for all central office equipment -- interconnector-designated or otherwise -- are generally handled on a first come, first served basis. However, trouble tickets generated at approximately the same time may be prioritized based on the size and/or severity of the outage. Response time is also affected by office staffing levels and time of day. Requiring the tariffing of provisions specifically for AVOIS could inhibit Ameritech's ability to serve the needs of all of its customers -- including its POTS customers who may have the need to access emergency services -- by restricting the flexibility of the LEC to adapt to the needs of a given situation.

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[12] MCI at 24. *See also,* MFS at 24.
[13] Ameritech Direct Case at 20-21.

C. Maintenance charges.

ALTS seems to take issue with the fact that maintenance costs are "buried" in the recurring rates for DS1 and DS3 services, while maintenance of CAP-designated equipment is charged, in the case of Ameritech and other LECs, on a time and materials basis.[14] ALTS complains of the "absurdity" of Ameritech's position -- alleging that Ameritech's interest is only in increasing its competitors' cost and not in creating "a sound rate structure."[15]

As Ameritech thought it explained in its Direct Case,[16] under the circumstances, there is great difficulty in creating a "sound rate structure" that would include maintenance costs associated with CAP-designated equipment in recurring rates. While Ameritech can estimate the maintenance costs associated with the equipment it uses to provide DS1 and DS3 services and factor those costs into the recurring rates for those services, such experience does not exist for CAP-designated equipment. In response to CAPs' requests, Ameritech configured an interconnection tariff arrangement that permitted CAPs to purchase their own equipment and lease it to Ameritech for $1. Ameritech does not charge CAPs for any capital costs associated with that transmission equipment so there is no "investment" to which a maintenance cost factor could be applied. Moreover, maintenance and repair of the equipment is only performed at the CAPs' request. In light of the fact that actual maintenance costs will be dependent on the actual equipment selected by a CAP and only under circumstances called for by the CAP, and since Ameritech has no way of knowing in advance what those costs might

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[14] ALTS at 21-22.
[15] *Id.* at note 15.
[16] Ameritech Direct Case at 4-5.

entail, a rate structure that simply passes those costs onto each CAP on a time and materials basis cannot be said to be "unsound." In fact, any rate structure that attempted to average these costs would result in a subsidy from those CAPs that select equipment that is more trouble-free to those CAPs that choose equipment that is less reliable. In that regard, under AVOIS, a CAP who selects equipment with good performance characteristics may, in fact, pay nothing for maintenance. Under these circumstances, ALTS' complaint should be regarded as unreasonable.

D. Management fee.

Time Warner takes issue with Ameritech's project management fee, claiming that it was not properly cost-supported.[17] In fact, complete cost support was included in the tariff filing -- including the tasks performed as part of the management function and the time estimated for each task.[18]

E. Power charges.

Time Warner further complains that Ameritech's approach to power cost recovery has its "shortcomings" because it involves "estimating power costs separately for IDE."[19] Time Warner's objection is misplaced. Ameritech did not attempt to estimate the power consumption needs of CAP-designated equipment. Its power delivery charge reflects the actual cost of equipping the bay to provide <u>any</u> power to the equipment. The power consumption charge, however, is assessed according to how

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[17] Time Warner at 31-32.

[18] *See,* Ameritech's Transmittal Nos. 818, 819 and associated support information, filed September 1, 1994.

[19] Time Warner at 32-33.

much power each piece of equipment needs -- on a per fuse amp basis. Thus, each CAP would pay for only that amount of power that its designated equipment needed.

F. Floor space.

Both Time Warner and MCI complain about the treatment of floor space/land and building costs in Ameritech's AVOIS tariff.[20]

Time Warner argues that costs associated with land, buildings, etc. should be charged to CAPs via loading factors applied to "an assumed investment based on the equipment actually used and the price actually paid by the LEC to provide DS1/DS3 services."[21] Ameritech suggests that this methodology would be inappropriate since, at least for small numbers of services, the space dedicated to a CAP interconnection arrangement is greater than that dedicated to a single DS1 or DS3 service application. In former case, an entire 7-foot bay is reserved for each CAP. That is not to say that the CAP cannot achieve economies. As its number of services grows, it can add equipment to the existing bay. Thus, spreading the cost of the bay over multiple services in a manner similar to that done by Ameritech when it provides DS1 and DS3 services directly to its customers.

MCI alleges that Ameritech and other LECs are "double charging" CAPs for land and building costs that are already being recovered in overheads on all services. That is not the case for Ameritech. Land and building costs associated with equipment directly used by Ameritech to provide services is factored into the direct cost of those services by specific annual charge factors applied to equipment investment amounts. Thus, the land and building costs associated with AVOIS have not been factored into the rates for

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[20] *Id.* at 37-38, MCI at 13-14.

any other services. Moreover, MCI's suggested rate reduction chart,[22] in any event, demonstrates a misunderstanding of the data included with the TRP. Quite simply, since the land and building costs associated with the equipment used to provide AVOIS have not been factored into the rates for any other services, no AVOIS rate reduction is appropriate.

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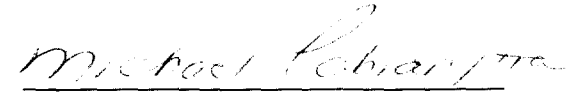
In light of the foregoing, the Commission should find that there is no substantial evidence to indicate that Ameritech's AVOIS tariff provisions are in any way unreasonable or unlawful.

Respectfully submitted,



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[21] Time Warner at 36.
[22] MCI at 14.

CERTIFICATE OF SERVICE

I, Deborah L. Simmons do hereby certify that a copy of the foregoing Rebuttal of Ameritech has been served on the parties listed on the attached service list, by first class mail, postage prepaid, on this 22nd day of November 1995.

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