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July 26, 1996

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FEDERAL COMMUNICATIONS COMMISSION

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W. -- Room 222
Washington, DC 20554

Re: Ex Parte CC Docket No. 96-98 - Implementation of the Local Competition Provisions of the Telecommunications Act of 1996

Dear Mr. Caton:

At the request of the FCC staff, AT&T and MCI developed information concerning scaling factors that could be used to compute prices for various population and loop densities. Yesterday, Joel Lubin of AT&T, Michael Pelcovits and Len Sawicki, both of MCI, met with Jay Atkinson, David Sieradzki and Don Stockdale to review the results.

The attached tables were used during the meeting. Attachment A describes the charts included as Attachments B and C. The material in Attachment B is also being provided to the staff and to ITS as a data file on diskette.

Please include the enclosed copies on the record of this proceeding.

Because the meeting was held late in the day two copies of this Notice are being submitted a day late to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's Rules

Sincerely,

Bruce K. Cox
AT&T

Donald F. Evans
MCI

Attachments

cc: Jay Atkinson
David Sieradzki
Don Stockdale

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Attachment A

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

USE OF BCM2-IMPLIED COST STRUCTURE TO PROJECT UNBUNDLED LOOP RATES

This analysis begins on Sheet 1 of Attachment B with published outputs from the BCM2 Model that report the amounts of required investment per loop in each of six density zones in 49 states (omitting Alaska and Hawaii)

On Sheet 2, these investment per loop dollars are scaled relative to the BCM2's figure for loop investment in Illinois' highest density zone (>2550 households/square mile). Thus, in Sheet 2, the cell representing this density zone in Illinois has a value of 1.00, and all other cells contain numeric factors that represent the amount of investment per loop in that State/Density Zone as a proportion to the corresponding figure for Illinois(>2550).

The relative loop investment factors in Sheet 2 are converted to implied dollar per month loop costs in Sheet 3. This is done by multiplying each cell's factor in Sheet 2 by a calculated Ameritech rate for unbundled loops in Illinois' highest density zone. This rate is calculated from Ameritech's tariffed rates for unbundled loops in Illinois Zone A. The bifurcated residence and business rates in this zone were converted into a merged rate by weighting the residence and business rates by the relative numbers of these types of lines estimated to exist in this rate zone.

ASSURING THAT SAMPLE UNBUNDLED LOOP RATES ARE SCALED CORRECTLY INTO NATIONALLY APPLICABLE RATES

If reference data (such as USF loop costs) that are available on a nationwide basis are used to scale a limited sample of loop TSLRIC estimates out to TSLRIC estimates for the entire country, it is important that the ratio of TSLRIC to reference embedded cost in this sample match this ratio for the country overall. Otherwise, the implied national TSLRIC estimates will be biased.

AT&T investigated whether embedded cost data for loop expense could be used as a reference to scale TSLRIC estimates from a sample of six states (Colorado, Connecticut, Florida, Illinois, Michigan and Ohio) out to a nationwide basis. This analysis (displayed in Attachment C) found that without correction, use of these states as a TSLRIC sample, and NECA USF Loop Cost data from 1994 as a reference, would cause nationwide loop TSLRICs to be overestimated. This is because for the six state sample, the average ratio of loop TSLRIC (as given by the Hatfield Model) to USF Embedded Cost was 64.4%, while this ratio on a national basis was 58.8%. Thus, these six states exhibit loop TSLRICs that are closer to embedded costs than is the case nationally. To correct this bias, any TSLRIC to embedded cost factor that is developed from these six states should be reduced by 8.8% before being used on a national basis.

Attachment B Sheet1

RAW INPUTS

Investment/Loop	DENSITY ZONES (Households/Square Mile) < 5	5 to 200	200 to 650	650 to 850	850 to 2550	> 2550	Total Lines	State Avg	State Factor
Alabama	$ 4,020	$ 1,862	$ 866	$ 821	$ 722	$ 649	2,422,089	$ 1,280	1.32
Alaska	$ 5,353	$ 2,116	$ 849	$ 826	$ 783	$ 658	378,331	$ 1,337	1.38
Arizona	$ 6,136	$ 2,056	$ 907	$ 885	$ 756	$ 750	2,344,162	$ 1,073	1.11
Arkansas	$ 3,666	$ 2,131	$ 874	$ 817	$ 695	$ 616	1,417,972	$ 1,494	1.54
California	$ 4,536	$ 1,631	$ 753	$ 744	$ 628	$ 561	20,252,037	$ 706	0.73
Colorado	$ 5,308	$ 1,927	$ 877	$ 785	$ 753	$ 683	2,316,656	$ 1,033	1.07
Connecticut	$ 2,332	$ 1,772	$ 979	$ 850	$ 715	$ 586	2,161,496	$ 936	0.97
Delaware	$ 1,074	$ 1,506	$ 704	$ 760	$ 704	$ 681	490,709	$ 890	0.92
Dist. of Columbia	$ 1,548	$ 203	$ 282	$ 297	$ 365	$ 312	938,740	$ 316	0.33
Florida	$ 4,776	$ 1,697	$ 871	$ 943	$ 793	$ 764	9,066,996	$ 942	0.97
Georgia	$ 4,205	$ 1,743	$ 821	$ 774	$ 658	$ 582	4,306,259	$ 1,076	1.11
Hawaii	$ 3,389	$ 2,019	$ 1,115	$ 915	$ 769	$ 559	688,400	$ 885	0.91
Idaho	$ 5,085	$ 2,002	$ 802	$ 735	$ 715	$ 690	608,515	$ 1,416	1.46
Illinois	$ 4,044	$ 1,772	$ 763	$ 797	$ 687	$ 602	8,053,650	$ 830	0.86
Indiana	$ 5,419	$ 1,782	$ 822	$ 824	$ 705	$ 675	3,514,901	$ 1,064	1.10
Iowa	$ 1,223	$ 1,925	$ 848	$ 741	$ 663	$ 623	1,706,032	$ 1,243	1.28
Kansas	$ 5,025	$ 1,880	$ 777	$ 777	$ 684	$ 603	1,591,509	$ 1,191	1.23
Kentucky	$ 5,114	$ 1,959	$ 846	$ 846	$ 697	$ 667	2,172,824	$ 1,302	1.34
Louisiana	$ 4,132	$ 1,944	$ 920	$ 926	$ 774	$ 755	2,454,230	$ 1,170	1.21
Maine	$ 8,673	$ 2,426	$ 995	$ 791	$ 709	$ 522	765,660	$ 1,718	1.77
Maryland	$ 2,195	$ 1,455	$ 733	$ 706	$ 623	$ 534	3,351,750	$ 758	0.78
Massachusetts	$ 5,464	$ 1,616	$ 935	$ 809	$ 699	$ 484	4,167,241	$ 783	0.81
Michigan	$ 4,541	$ 1,780	$ 791	$ 839	$ 750	$ 824	6,107,698	$ 1,039	1.07
Minnesota	$ 4,406	$ 2,038	$ 768	$ 738	$ 683	$ 583	2,844,980	$ 1,090	1.13
Mississippi	$ 4,292	$ 2,031	$ 911	$ 831	$ 799	$ 678	1,434,796	$ 1,460	1.51
Missouri	$ 5,041	$ 2,214	$ 843	$ 771	$ 685	$ 610	3,282,486	$ 1,160	1.20
Montana	$ 4,804	$ 1,932	$ 834	$ 690	$ 663	$ 566	508,132	$ 1,553	1.60
Nebraska	$ 4,404	$ 2,009	$ 792	$ 749	$ 612	$ 642	1,035,343	$ 1,221	1.26
Nevada	$ 6,399	$ 2,099	$ 896	$ 836	$ 690	$ 662	914,060	$ 1,034	1.07
New Hampshire	$ 8,493	$ 1,999	$ 983	$ 902	$ 741	$ 556	720,703	$ 1,363	1.41
New Jersey	$ 4,142	$ 1,360	$ 737	$ 793	$ 695	$ 543	5,534,609	$ 710	0.73
New Mexico	$ 5,130	$ 2,184	$ 903	$ 876	$ 661	$ 668	885,278	$ 1,314	1.36
New York	$ 6,334	$ 1,891	$ 806	$ 807	$ 706	$ 462	12,169,022	$ 732	0.76
North Carolina	$ 4,369	$ 1,729	$ 836	$ 769	$ 691	$ 522	4,261,104	$ 1,184	1.22
North Dakota	$ 5,047	$ 2,029	$ 841	$ 743	$ 591	$ 579	413,018	$ 1,610	1.66
Ohio	$ 4,315	$ 1,731	$ 840	$ 868	$ 729	$ 676	6,908,413	$ 983	1.02
Oklahoma	$ 4,801	$ 1,895	$ 832	$ 804	$ 699	$ 670	1,983,651	$ 1,194	1.23
Oregon	$ 5,434	$ 1,938	$ 859	$ 841	$ 756	$ 648	1,892,675	$ 1,132	1.17
Pennsylvania	$ 5,743	$ 1,794	$ 790	$ 761	$ 639	$ 528	8,038,680	$ 893	0.92
Rhode Island	$ 2,571	$ 1,830	$ 923	$ 873	$ 786	$ 642	645,836	$ 880	0.91
South Carolina	$ 6,415	$ 1,835	$ 864	$ 812	$ 739	$ 586	2,081,825	$ 1,236	1.28
South Dakota	$ 4,597	$ 2,014	$ 794	$ 757	$ 596	$ 553	433,913	$ 1,619	1.67
Tennessee	$ 3,497	$ 1,850	$ 877	$ 823	$ 704	$ 589	3,110,828	$ 1,181	1.22
Texas	$ 4,565	$ 1,763	$ 773	$ 766	$ 712	$ 653	10,825,780	$ 966	1.00
Utah	$ 5,405	$ 1,810	$ 807	$ 807	$ 710	$ 625	946,668	$ 1,024	1.06
Vermont	$ 8,938	$ 2,300	$ 804	$ 839	$ 530	$ 405	367,751	$ 1,620	1.67
Virginia	$ 6,442	$ 1,793	$ 753	$ 746	$ 666	$ 564	4,315,051	$ 966	1.00
Washington	$ 4,771	$ 1,815	$ 813	$ 814	$ 702	$ 574	3,293,922	$ 942	0.97
West Virginia	$ 4,664	$ 2,319	$ 914	$ 847	$ 632	$ 550	1,075,043	$ 1,560	1.61
Wisconsin	$ 4,605	$ 1,850	$ 839	$ 740	$ 684	$ 666	3,188,444	$ 1,088	1.12
Wyoming	$ 5,403	$ 1,776	$ 809	$ 717	$ 611	$ 572	296,428	$ 1,474	1.52
Total States	$ 4,991	$ 1,845	$ 824	$ 803	$ 698	$ 577	164,686,296	$ 969	1.00
Zone Factor	5.15	1.90	0.85	0.83	0.72	0.60		1.00	

Attachment B Sheet2

SCALED RELATIVE TO BCM2 ILLINOIS HIGHEST DENSITY ZONE

	DENSITY ZONES (Households/Square Mile)							
Investment/Loop Index	**< 5**	**5 to 200**	**200 to 650**	**650 to 850**	**850 to 2550**	**> 2550**	**Total Lines**	**State Factor**
Alabama	6.68	3.09	1.44	1.36	1.20	1.08	2,422,089	2.13
Alaska	8.89	3.51	1.41	1.37	1.30	1.09	378,331	2.22
Arizona	10.19	3.42	1.51	1.47	1.26	1.25	2,344,162	1.78
Arkansas	6.09	3.54	1.45	1.36	1.15	1.02	1,417,972	2.48
California	7.53	2.71	1.25	1.24	1.04	0.93	20,252,037	1.17
Colorado	8.82	3.20	1.46	1.30	1.25	1.13	2,316,656	1.72
Connecticut	3.87	2.94	1.63	1.41	1.19	0.97	2,161,496	1.55
Delaware	1.78	2.50	1.17	1.26	1.17	1.13	490,709	1.48
Dist. of Columbia	2.57	0.34	0.47	0.49	0.61	0.52	938,740	0.53
Florida	7.93	2.82	1.45	1.57	1.32	1.27	9,066,996	1.57
Georgia	6.99	2.90	1.36	1.29	1.09	0.97	4,306,259	1.79
Hawaii	5.63	3.35	1.85	1.52	1.28	0.93	688,400	1.47
Idaho	8.45	3.33	1.33	1.22	1.19	1.15	608,515	2.35
Illinois	6.72	2.94	1.27	1.32	1.14	1.00	8,053,650	1.38
Indiana	9.00	2.96	1.37	1.37	1.17	1.12	3,514,901	1.77
Iowa	2.03	3.20	1.41	1.23	1.10	1.03	1,706,032	2.07
Kansas	8.35	3.12	1.29	1.29	1.14	1.00	1,591,509	1.98
Kentucky	8.50	3.25	1.41	1.41	1.16	1.11	2,172,824	2.16
Louisiana	6.86	3.23	1.53	1.54	1.29	1.25	2,454,230	1.94
Maine	14.41	4.03	1.65	1.31	1.18	0.87	765,660	2.85
Maryland	3.65	2.42	1.22	1.17	1.03	0.89	3,351,750	1.26
Massachusetts	9.08	2.68	1.55	1.34	1.16	0.80	4,167,241	1.30
Michigan	7.54	2.96	1.31	1.39	1.25	1.37	6,107,698	1.73
Minnesota	7.32	3.39	1.28	1.23	1.13	0.97	2,844,980	1.81
Mississippi	7.13	3.37	1.51	1.38	1.33	1.13	1,434,796	2.43
Missouri	8.37	3.68	1.40	1.28	1.14	1.01	3,282,486	1.93
Montana	7.98	3.21	1.39	1.15	1.10	0.94	508,132	2.58
Nebraska	7.32	3.34	1.32	1.24	1.02	1.07	1,035,343	2.03
Nevada	10.63	3.49	1.49	1.39	1.15	1.10	914,060	1.72
New Hampshire	14.11	3.32	1.63	1.50	1.23	0.92	720,703	2.26
New Jersey	6.88	2.26	1.22	1.32	1.15	0.90	5,534,609	1.18
New Mexico	8.52	3.63	1.50	1.46	1.10	1.11	885,278	2.18
New York	10.52	3.14	1.34	1.34	1.17	0.77	12,169,022	1.22
North Carolina	7.26	2.87	1.39	1.28	1.15	0.87	4,261,104	1.97
North Dakota	8.38	3.37	1.40	1.23	0.98	0.96	413,018	2.68
Ohio	7.17	2.88	1.40	1.44	1.21	1.12	6,908,413	1.63
Oklahoma	7.98	3.15	1.38	1.34	1.16	1.11	1,983,651	1.98
Oregon	9.03	3.22	1.43	1.40	1.26	1.08	1,892,675	1.88
Pennsylvania	9.54	2.98	1.31	1.26	1.06	0.88	8,038,680	1.48
Rhode Island	4.27	3.04	1.53	1.45	1.31	1.07	645,836	1.46
South Carolina	10.66	3.05	1.44	1.35	1.23	0.97	2,081,825	2.05
South Dakota	7.64	3.35	1.32	1.26	0.99	0.92	433,913	2.69
Tennessee	5.81	3.07	1.46	1.37	1.17	0.98	3,110,828	1.96
Texas	7.58	2.93	1.28	1.27	1.18	1.08	10,825,780	1.60
Utah	8.98	3.01	1.34	1.34	1.18	1.04	946,668	1.70
Vermont	14.85	3.82	1.34	1.39	0.88	0.67	367,751	2.69
Virginia	10.70	2.98	1.25	1.24	1.11	0.94	4,315,051	1.60
Washington	7.93	3.01	1.35	1.35	1.17	0.95	3,293,922	1.56
West Virginia	7.75	3.85	1.52	1.41	1.05	0.91	1,075,043	2.59
Wisconsin	7.65	3.07	1.39	1.23	1.14	1.11	3,188,444	1.81
Wyoming	8.98	2.95	1.34	1.19	1.01	0.95	296,428	2.45
Total States	8.29	3.06	1.37	1.33	1.16	0.96	164,686,296	1.61
Zone Factor	5.15	1.90	0.85	0.83	0.72	0.60		1.00

Illinois BCM2 loop$/Line: Highest density zone 602

SCALED RELATIVE TO BCM2 ILLINOIS HIGHEST DENSITY ZONE

	DENSITY ZONES (Households/Square Mile)								
Monthly Cost/Loop	**< 5**	**5 to 200**	**200 to 650**	**650 to 850**	**850 to 2550**	**> 2550**	**Total Lines**	**State Avg**	**State Factor**
Alabama	40.63	18.82	8.75	8.30	7.30	6.56	2,422,089	12.93	1.32
Alaska	54.10	21.38	8.58	8.35	7.91	6.65	378,331	13.52	1.38
Arizona	62.01	20.78	9.17	8.94	7.64	7.58	2,344,162	10.85	1.11
Arkansas	37.05	21.54	8.83	8.26	7.02	6.23	1,417,972	15.10	1.54
California	45.84	16.48	7.61	7.52	6.35	5.67	20,252,037	7.13	0.73
Colorado	53.64	19.47	8.86	7.93	7.61	6.90	2,316,656	10.44	1.07
Connecticut	23.57	17.91	9.89	8.59	7.23	5.92	2,161,496	9.46	0.97
Delaware	10.85	15.22	7.11	7.68	7.11	6.88	490,709	8.99	0.92
Dist. of Columbia	15.64	2.05	2.85	3.00	3.69	3.15	938,740	3.20	0.33
Florida	48.27	17.15	8.80	9.53	8.01	7.72	9,066,996	9.52	0.97
Georgia	42.50	17.62	8.30	7.82	6.65	5.88	4,306,259	10.87	1.11
Hawaii	34.25	20.40	11.27	9.25	7.77	5.65	688,400	8.94	0.91
Idaho	51.39	20.23	8.11	7.43	7.23	6.97	608,515	14.31	1.46
Illinois	40.87	17.91	7.71	8.05	6.94	6.08	8,053,650	8.39	0.86
Indiana	54.77	18.01	8.31	8.33	7.12	6.82	3,514,901	10.75	1.10
Iowa	12.36	19.45	8.57	7.49	6.70	6.30	1,706,032	12.56	1.28
Kansas	50.78	19.00	7.85	7.85	6.91	6.09	1,591,509	12.03	1.23
Kentucky	51.68	19.80	8.55	8.55	7.04	6.74	2,172,824	13.16	1.34
Louisiana	41.76	19.65	9.30	9.36	7.82	7.63	2,454,230	11.82	1.21
Maine	87.65	24.52	10.06	7.99	7.17	5.28	765,660	17.36	1.77
Maryland	22.18	14.70	7.41	7.14	6.30	5.40	3,351,750	7.66	0.78
Massachusetts	55.22	16.33	9.45	8.18	7.06	4.89	4,167,241	7.91	0.81
Michigan	45.89	17.99	7.99	8.48	7.58	8.33	6,107,698	10.50	1.07
Minnesota	44.53	20.60	7.76	7.46	6.90	5.89	2,844,980	11.02	1.13
Mississippi	43.38	20.53	9.21	8.40	8.07	6.85	1,434,796	14.76	1.51
Missouri	50.95	22.38	8.52	7.79	6.92	6.16	3,282,486	11.73	1.20
Montana	48.55	19.53	8.43	6.97	6.70	5.72	508,132	15.69	1.60
Nebraska	44.51	20.30	8.00	7.57	6.19	6.49	1,035,343	12.34	1.26
Nevada	64.67	21.21	9.06	8.45	6.97	6.69	914,060	10.45	1.07
New Hampshire	85.83	20.20	9.93	9.12	7.49	5.62	720,703	13.77	1.41
New Jersey	41.86	13.74	7.45	8.01	7.02	5.49	5,534,609	7.18	0.73
New Mexico	51.85	22.07	9.13	8.85	6.68	6.75	885,278	13.28	1.36
New York	64.01	19.11	8.15	8.16	7.14	4.67	12,169,022	7.40	0.76
North Carolina	44.15	17.47	8.45	7.77	6.98	5.28	4,261,104	11.97	1.22
North Dakota	51.01	20.51	8.50	7.51	5.97	5.85	413,018	16.28	1.66
Ohio	43.61	17.49	8.49	8.77	7.37	6.83	6,908,413	9.94	1.02
Oklahoma	48.52	19.15	8.41	8.13	7.06	6.77	1,983,651	12.07	1.23
Oregon	54.92	19.59	8.68	8.50	7.64	6.55	1,892,675	11.44	1.17
Pennsylvania	58.04	18.13	7.98	7.69	6.46	5.34	8,038,680	9.02	0.92
Rhode Island	25.98	18.49	9.33	8.82	7.94	6.49	645,836	8.89	0.91
South Carolina	64.83	18.55	8.73	8.21	7.47	5.92	2,081,825	12.49	1.28
South Dakota	46.46	20.35	8.02	7.65	6.02	5.59	433,913	16.37	1.67
Tennessee	35.34	18.70	8.86	8.32	7.11	5.95	3,110,828	11.93	1.22
Texas	46.14	17.82	7.81	7.74	7.20	6.60	10,825,780	9.76	1.00
Utah	54.62	18.29	8.16	8.16	7.18	6.32	946,668	10.35	1.06
Vermont	90.33	23.24	8.13	8.48	5.36	4.09	367,751	16.37	1.67
Virginia	65.10	18.12	7.61	7.54	6.73	5.70	4,315,051	9.76	1.00
Washington	48.22	18.34	8.22	8.23	7.09	5.80	3,293,922	9.52	0.97
West Virginia	47.14	23.44	9.24	8.56	6.39	5.56	1,075,043	15.76	1.61
Wisconsin	46.54	18.70	8.48	7.48	6.91	6.73	3,188,444	11.00	1.12
Wyoming	54.60	17.95	8.18	7.25	6.17	5.78	296,428	14.89	1.52
Total States	50.44	18.65	8.33	8.11	7.06	5.84	164,686,296	9.79	1.00
Zone Factor	5.15	1.90	0.85	0.83	0.72	0.60		1.00	

Illinois BCM2 loop$/Line: Highest density zone 602

Illinois Zone A Rate $ **6.08** (Input here)

Illinois Zone A Rate	Bus $	7.08	60%
	Res $	4.59	40%
	Avg $	6.08	

Attachment C

STATE/RBOC		NECA USF *EMBEDDED* LOOP COST		HATFIELD *TSLRIC* LOOP COST	RATIO OF TSLRIC TO EMBEDDED
COLORADO/US West	$	21.45	$	11.31	52.7%
CONNECTICUT/SNET	$	20.32	$	11.68	57.5%
FLORIDA/BellSouth	$	25.63	$	11.37	44.4%
ILLINOIS/Ameritech	$	12.66	$	10.30	81.4%
MICHIGAN/Ameritech	$	17.41	$	12.54	72.0%
OHIO/Ameritech	$	17.72	$	13.95	78.7%
Average of Ratios for Above 6 States					64.4%
National Average of all 49 RBOC COSAs	$	19.30	$	11.34	58.8% *
Percentage by which the TSLRIC/Embedded cost ratio computed from using just above 6 states must be reduced if it is to reflect accurately the TSLRIC/Embedded cost ratio that characterizes the average of all 49 RBOC COSAs					**8.8%**

* Ratio of the TSLRIC and Embedded Cost weighted averages

Attachment A

DOCUMENT OFF-LINE

This page has been substituted for one of the following:

o An oversize page or document (such as a map) which was too large to be scanned into the RIPS system.

o Microfilm, microform, certain photographs or videotape.

o other materials which, for one reason or another, could not be scanned into the RIPS system.

The actual document, page(s) or materials may be reviewed by contacting an Information Technician. Please note the applicable docket or rulemaking number, document type and any other relevant information about the document in order to ensure speedy retrieval by the Information Technician.