MCI Communications Corporation

1801 Pennsylvania Avenue, NW
Washington, DC 20006

ORIGINAL

October 15, 1996

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Federal Communications Commission
Office of Secretary

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Re: **Implementation of the Telecommunications Act of 1996: Reform of Filing Requirements and Carrier Classifications; CC Docket No. 96-193**

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Enclosed herewith for filing are the original and eleven (11) copies of MCI Telecommunications Corporation's Comments regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Alan Buzacott
Regulatory Analyst

Enclosure
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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Federal Communications Commission
Office of Secretary

In the Matter of:	)	
	)	
Implementation of the	)	
Telecommunications Act of 1996	)	**CC Docket No. 96-193**
	)	
Reform of Filing Requirements	)	
and Carrier Classifications	)	

MCI COMMENTS

MCI Telecommunications Corporation, pursuant to the Notice of Proposed Rulemaking in the above-captioned docket,[1] hereby submits its Comments. In the Notice, the Commission seeks comment on rules to implement Section 402(b)(2)(B) of the Telecommunications Act of 1996.[2]

Section 402(b)(2)(B) of the 1996 Act provides that "[t]he Commission shall permit any common carrier . . . to file cost allocation manuals . . . annually, to the extent such carrier is required to file such manuals." On September 12, 1996, the Commission

[1]Implementation of Section 402(b)(1)(A) of the Telecommunications Act of 1996, CC Docket No. 96-187, FCC 96-367, released September 6, 1996 (Notice).

[2]Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56.

released its Order and Notice of Proposed Rulemaking (Notice) in the above-captioned docket. In the Order, the Commission amends Section 64.903(b) of its rules to require carriers to update their Cost Allocation Manuals (CAMs) annually, rather than quarterly.

In the Notice, the Commission proposes to retain its existing requirement that carriers file proposed changes to their cost apportionment tables or proposed changes to their descriptions of time reporting procedures at least 60 days before such changes are implemented.[3] The Commission notes that the alternative would be to eliminate opportunities for carriers to modify their CAMs between annual filings, requiring carriers to seek a waiver of its rules before implementing changes to their cost allocation manuals as filed.

Section 64.903(b) of the Commission's rules makes it possible for the Commission and the public to review changes to the LECs' cost allocation procedures that result from new ventures and changes to their cost allocation procedures for existing ventures. This requirement was codified by the Computer III Remand Order,[4] but had been previously prescribed by the Commission in its review of CAMs filed pursuant to

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[3]Notice at ¶21.

[4]In the Matter of Computer III Remand Proceedings: Bell Operating Company Safeguards; and Tier 1 Local Exchange Company Safeguards, Notice of Proposed Rulemaking and Order, 6 FCC Rcd 174, 178.

the Joint Cost Order.[5] Its purpose was to ensure that the Commission could review critical changes to LECs' cost allocation procedures prior to implementation.[6]

The Commission should retain the requirement that LECs file certain changes to their cost allocation procedures 60 days prior to implementation. Several provisions of the Telecommunications Act of 1996 prohibit Bell Operating Companies or, in some cases, all incumbent local exchange carriers from using their telephone exchange service and exchange access operations to subsidize their competitive ventures. Given the key role that accounting safeguards will play in ensuring that cross-subsidy does not occur, it remains essential for the Commission to review and approve changes to LEC cost allocation procedures before they take effect. In particular, the Commission and the public must have the opportunity to scrutinize cost allocation procedures accompanying the entry of BOCs or other incumbent LECs into previously proscribed markets.

The requirement that LECs file proposed changes to their cost apportionment tables or proposed changes to their time reporting procedures at least 60 days before such changes are implemented is consistent with the Telecommunications Act of 1996. The Commission has consistently distinguished between CAM information that is required for

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[5]In the Matter of Separation of Costs of Regulated Telephone Service From Costs of Nonregulated Activities, Report and Order, 2 FCC Rcd 1298.

[6]See, e.g., In the Matter of Nevada Bell's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs and Pacific Bell's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, Memorandum Opinion and Order, 3 FCC Rcd 287, 301 (PacBell Cam Order).

informational purposes so that it can understand the carriers' activities, and information in the CAMs that must be reviewed prior to implementation.[7] While the Act requires the Commission to permit LECs to file CAM revisions annually, nothing in the Act limits the Commission's authority to scrutinize changes to LEC cost allocation procedures before they are implemented, when such scrutiny is required in order to guard against cross-subsidy. The Commission can continue to require LECs that wish to change certain cost allocation procedures, including those specified in Section 64.903(b) of the Commission's rules, to submit these revisions for advance approval. Accordingly, the Commission should continue to require LECs that wish to change 1) their cost categories or allocation mechanisms, i.e. the cost allocation table, or 2) the way that employee time is allocated, to submit these changes at least 60 days prior to implementation. As is the case today, changes to the LEC's cost allocation procedures could then be implemented unless the Common Carrier Bureau stayed the effectiveness of the change or rejected the change.

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[7] Id.

MCI requests that the Commission promulgate regulations implementing Section 402(b)(2)(B) of the Telecommunications Act of 1996 that are consistent with the above comments.

Respectfully submitted,
MCI TELECOMMUNICATIONS CORPORATION

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October 15, 1996

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 October 15, 1996.

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CERTIFICATE OF SERVICE

I, Stan Miller, do hereby certify that copies of the foregoing "MCI Comments" were sent via first class mail, postage paid, to the following on this 15th day of October, 1996.

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